

# Economic Outlook FORUM

**Thursday, November 7 | 9:00AM**

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**THE A.I. ECONOMY**

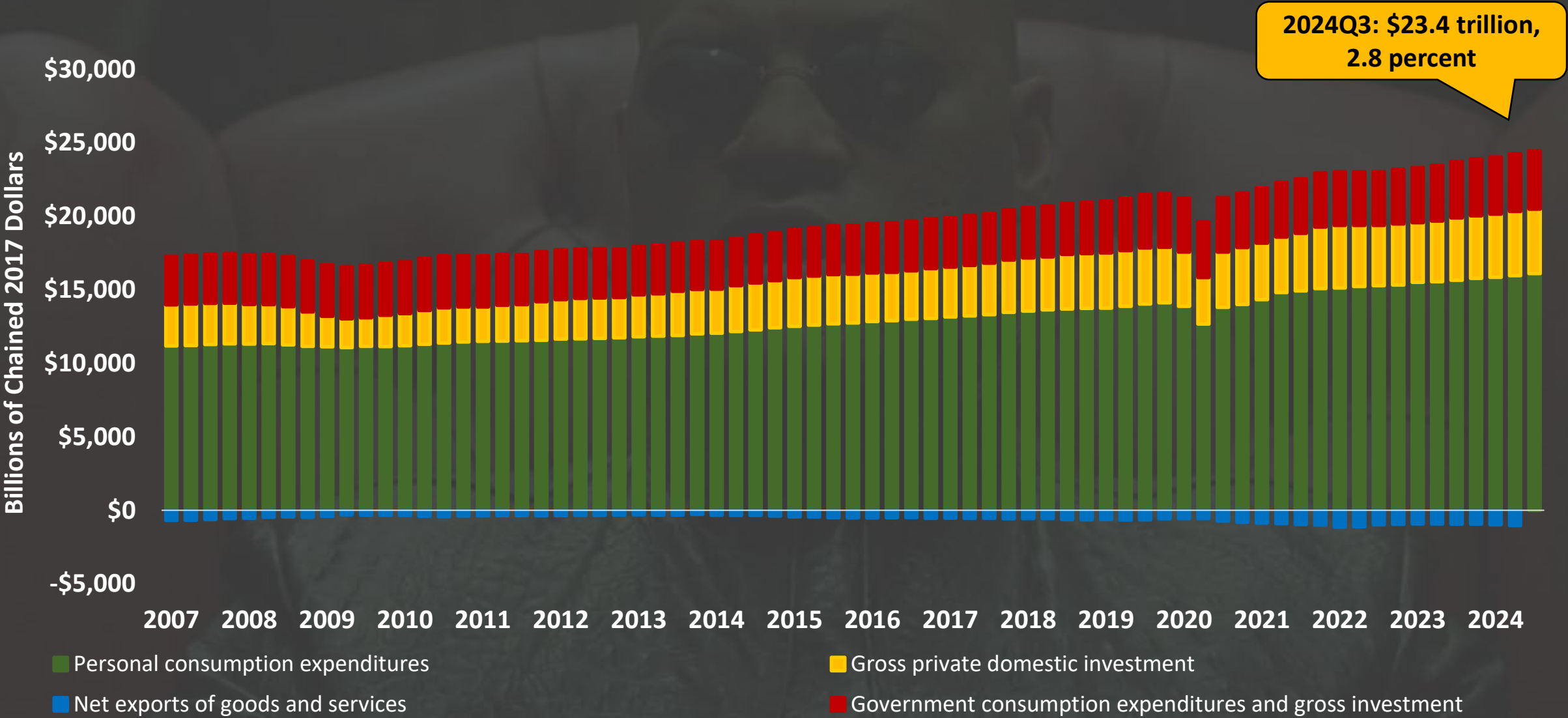


**EMERGENGE**

A close-up shot of Morpheus from the movie The Matrix. He is bald, wearing dark sunglasses and a black high-collared jacket. He is sitting in a red leather tufted chair. The background is dark and out of focus. The lighting is dramatic, highlighting his face and the texture of the chair.

**“Remember, all I’m offering is the truth. Nothing more.”**

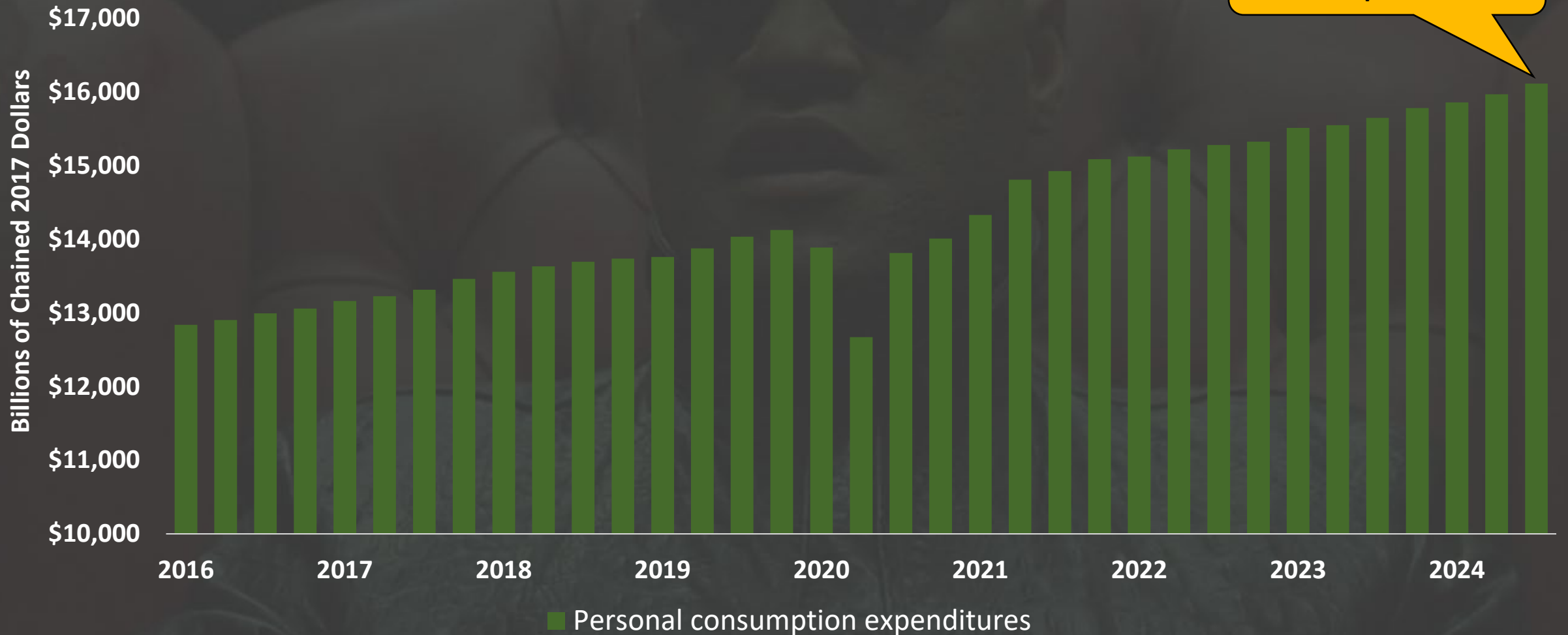
# GDP Has Increased for Ten Straight Quarters



Source: U.S. Bureau of Economic Analysis

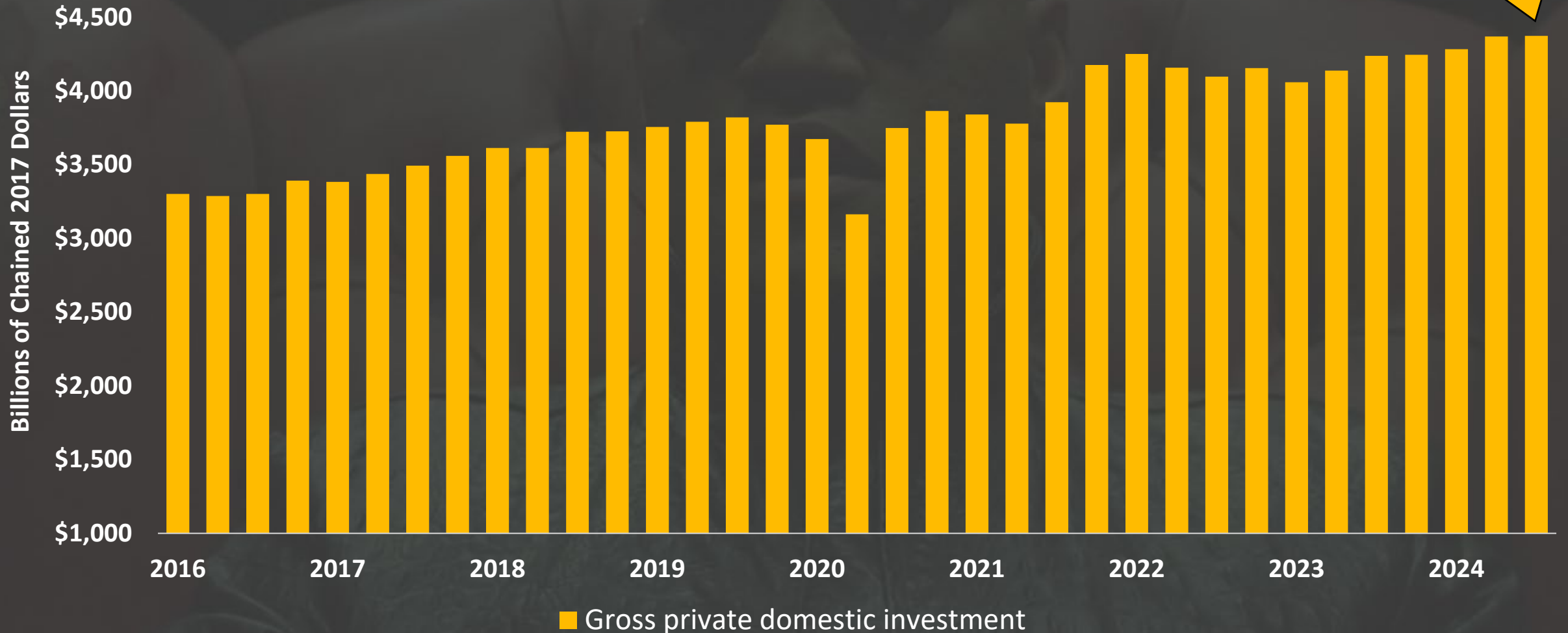


# Consumption Continues to Climb at a Steady Pace



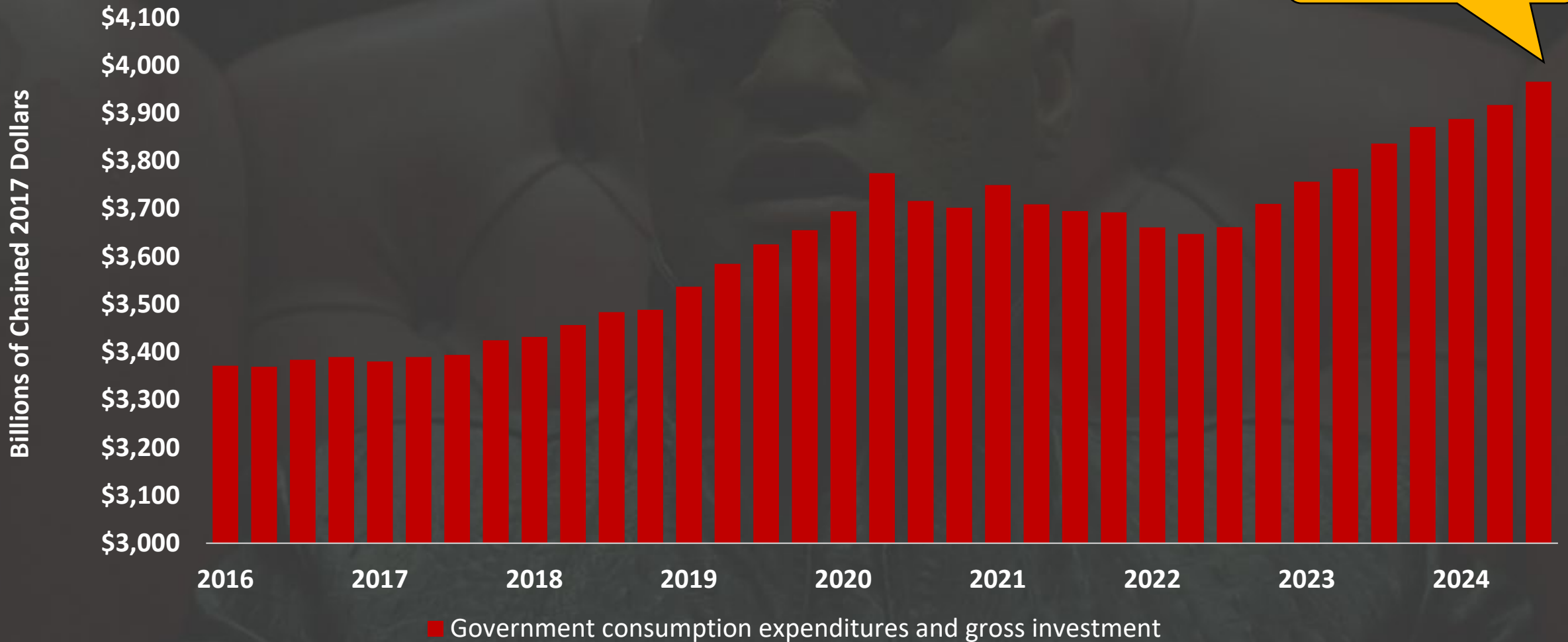
# Investments Slowed Slightly In the Third Quarter of 2024

2024Q3: \$4.3 trillion,  
0.3 percent

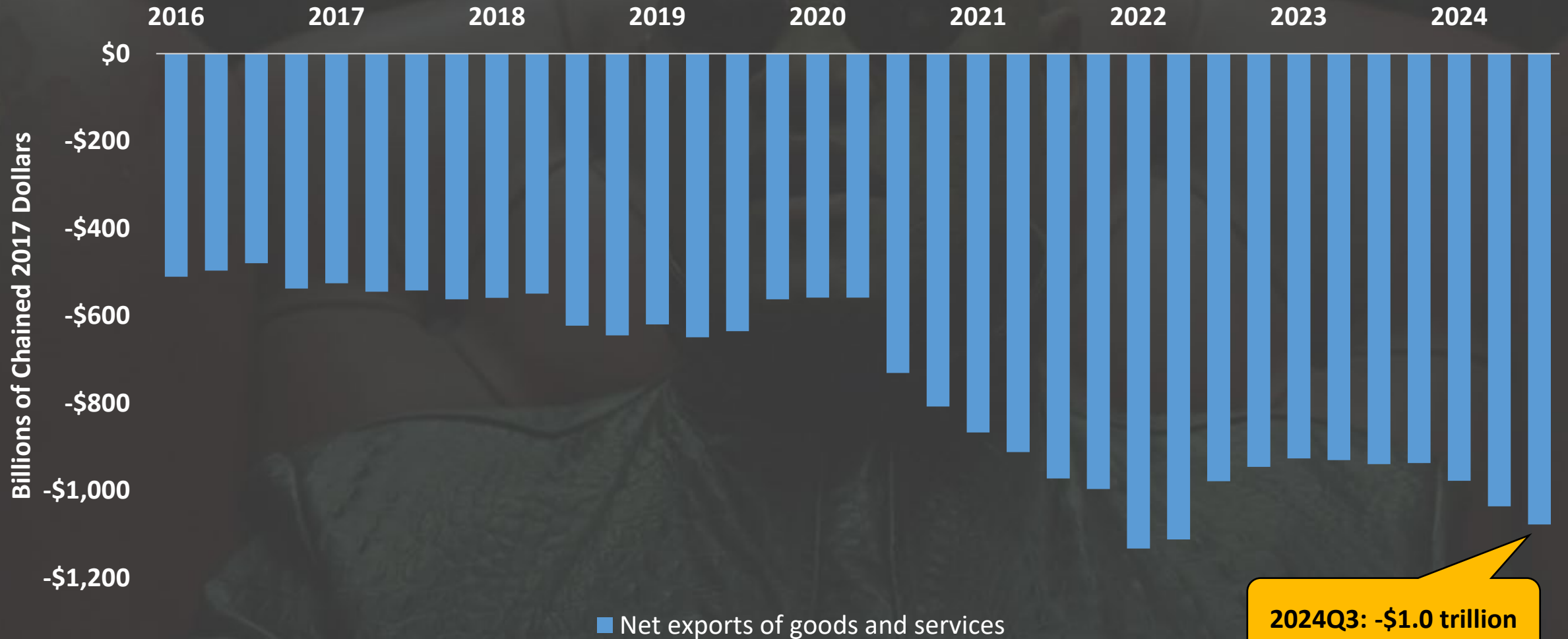


# Government Spending Has Risen Sharply for Nine Straight Quarters

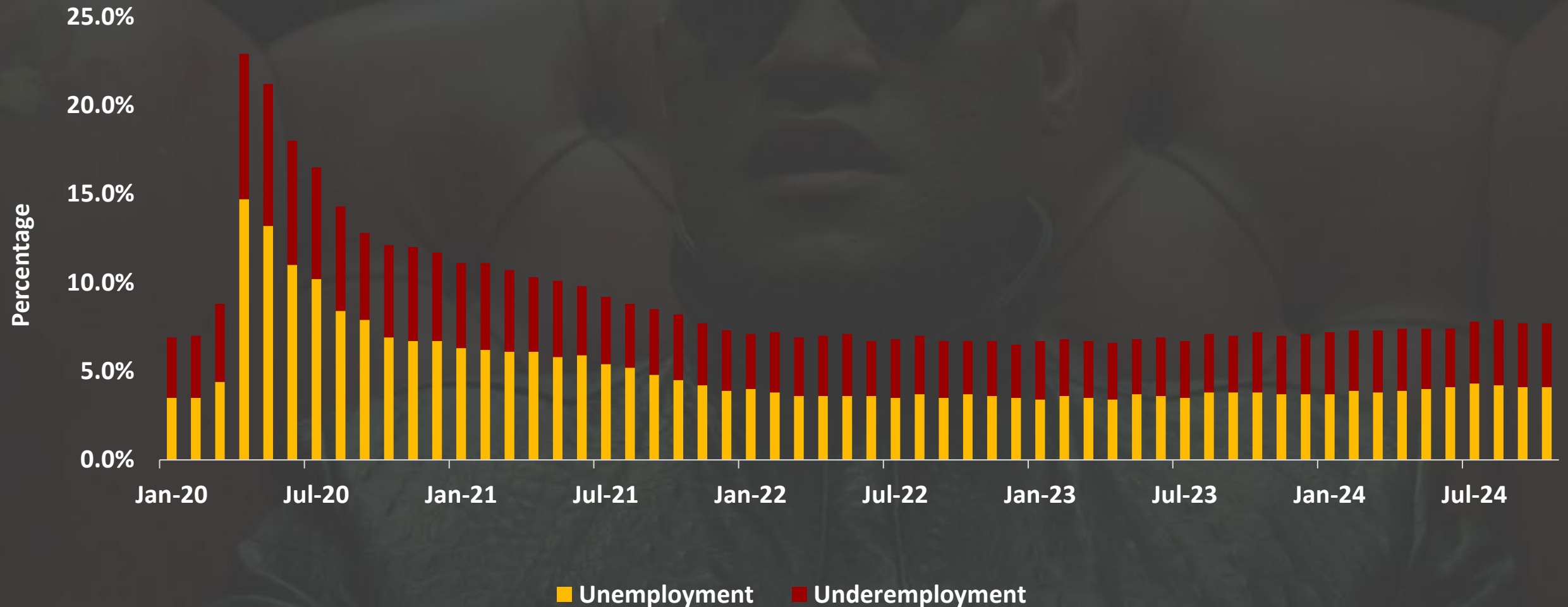
2024Q3: \$3.9 trillion,  
5.0 percent



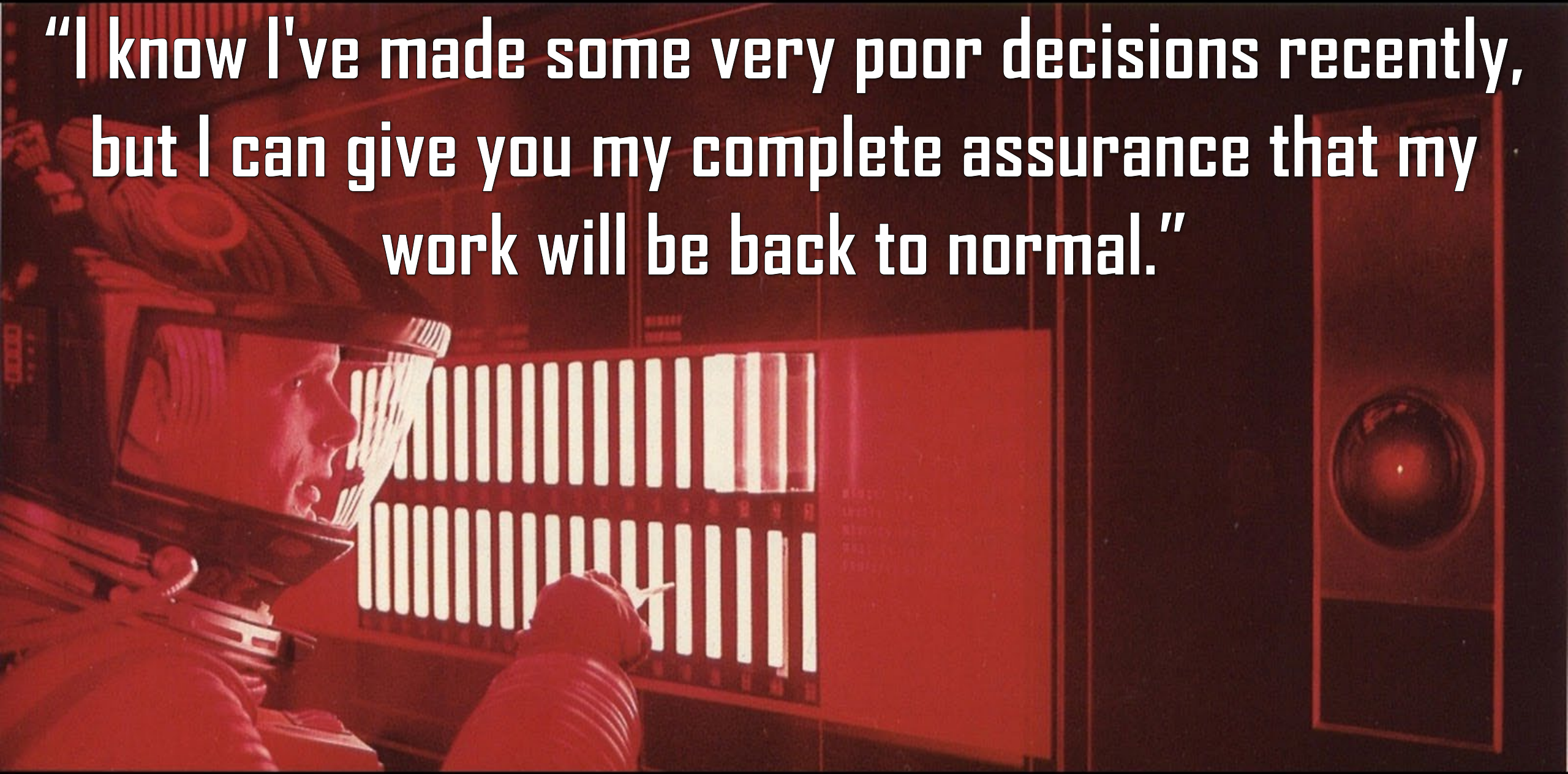
# The Trade Deficit Increased Slightly in the Third Quarter of 2024



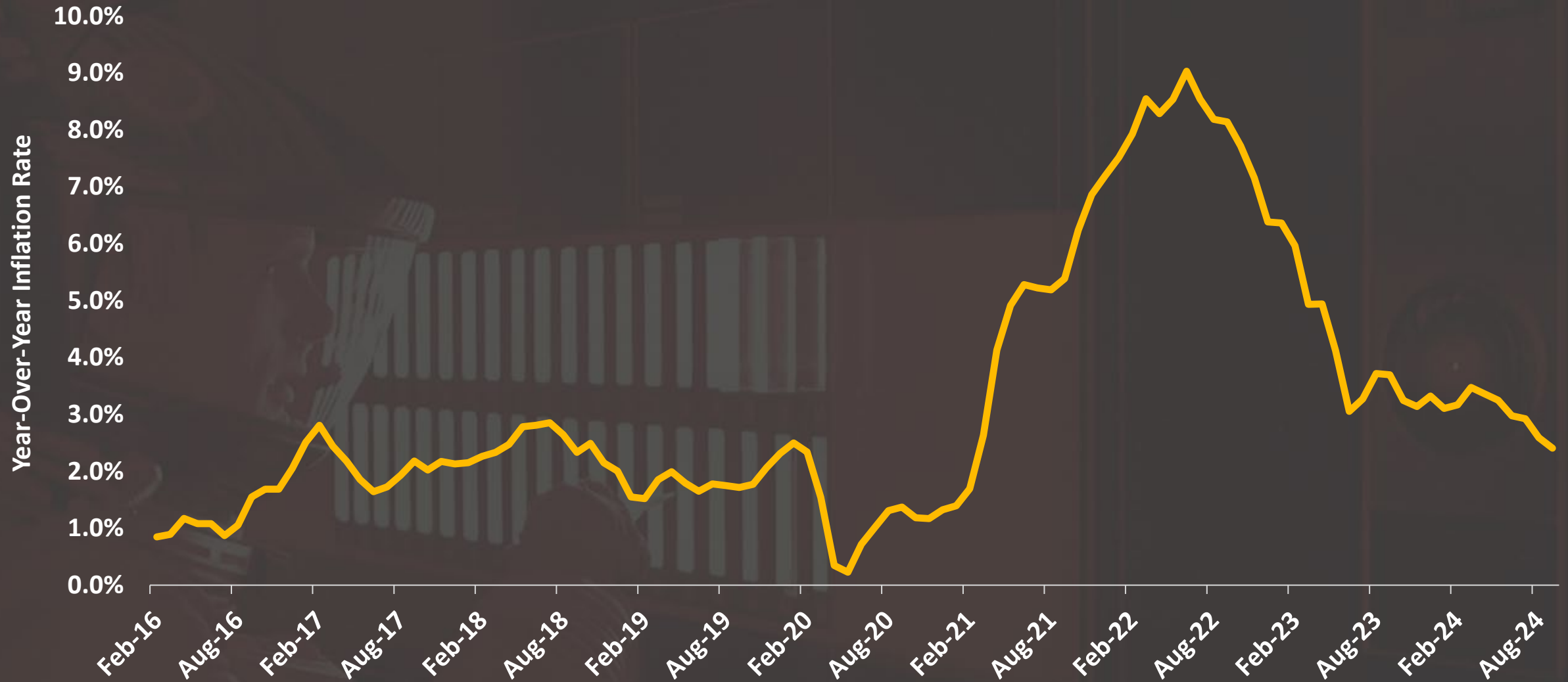
# National Unemployment and Underemployment Have Risen Slightly, Remain Near Pre-Pandemic Levels



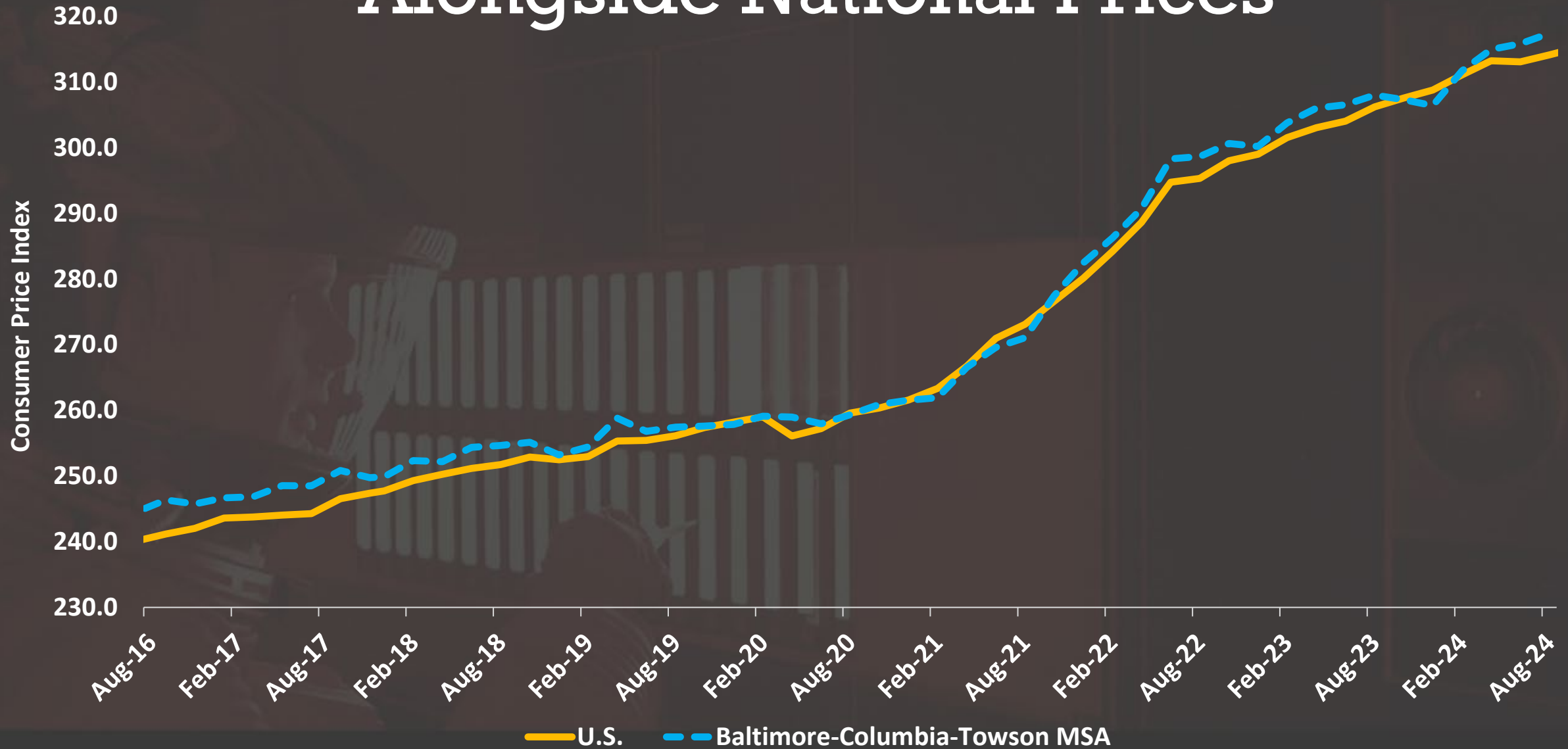
**“I know I've made some very poor decisions recently,  
but I can give you my complete assurance that my  
work will be back to normal.”**



# Year-Over-Year Inflation Is Approaching Federal Reserve Target

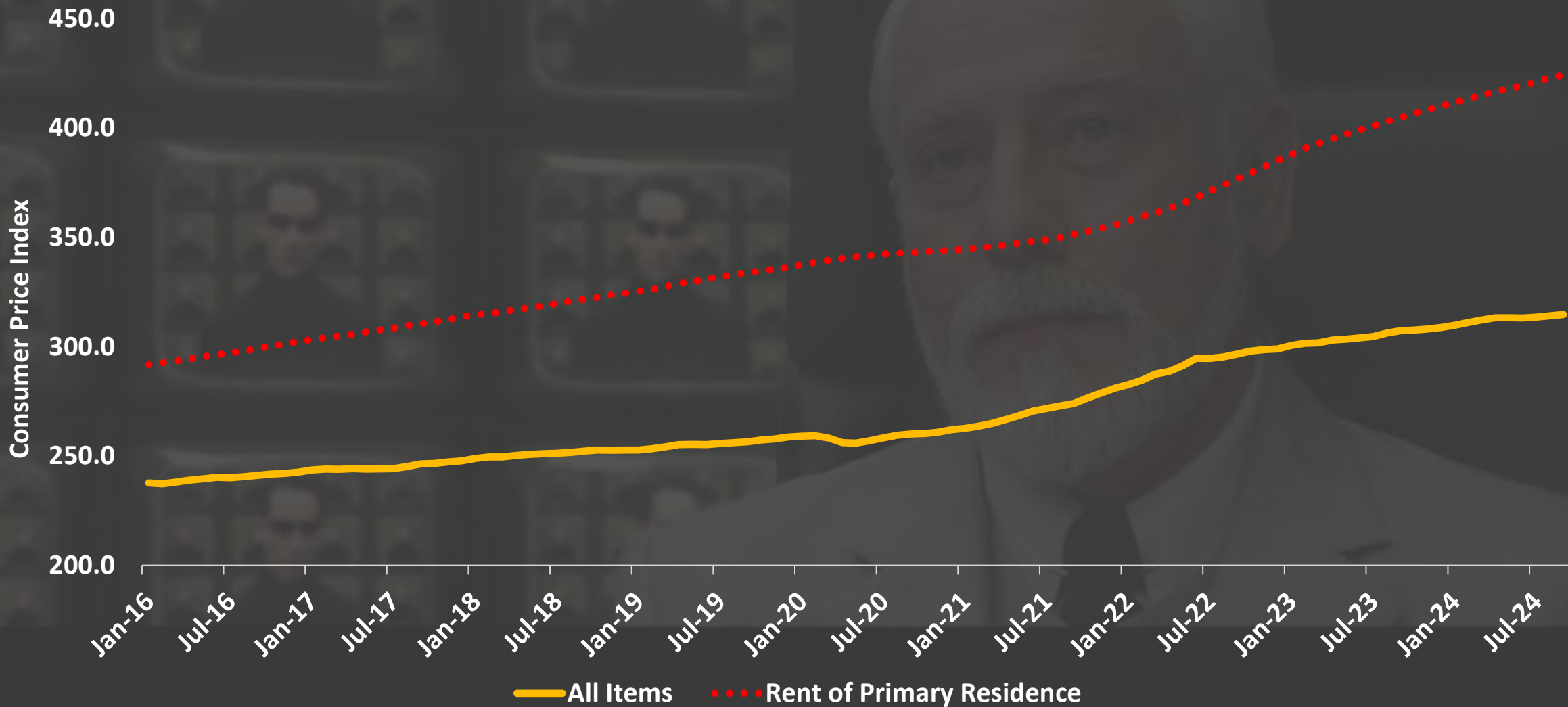


# Local Consumer Prices Continue to Rise Alongside National Prices

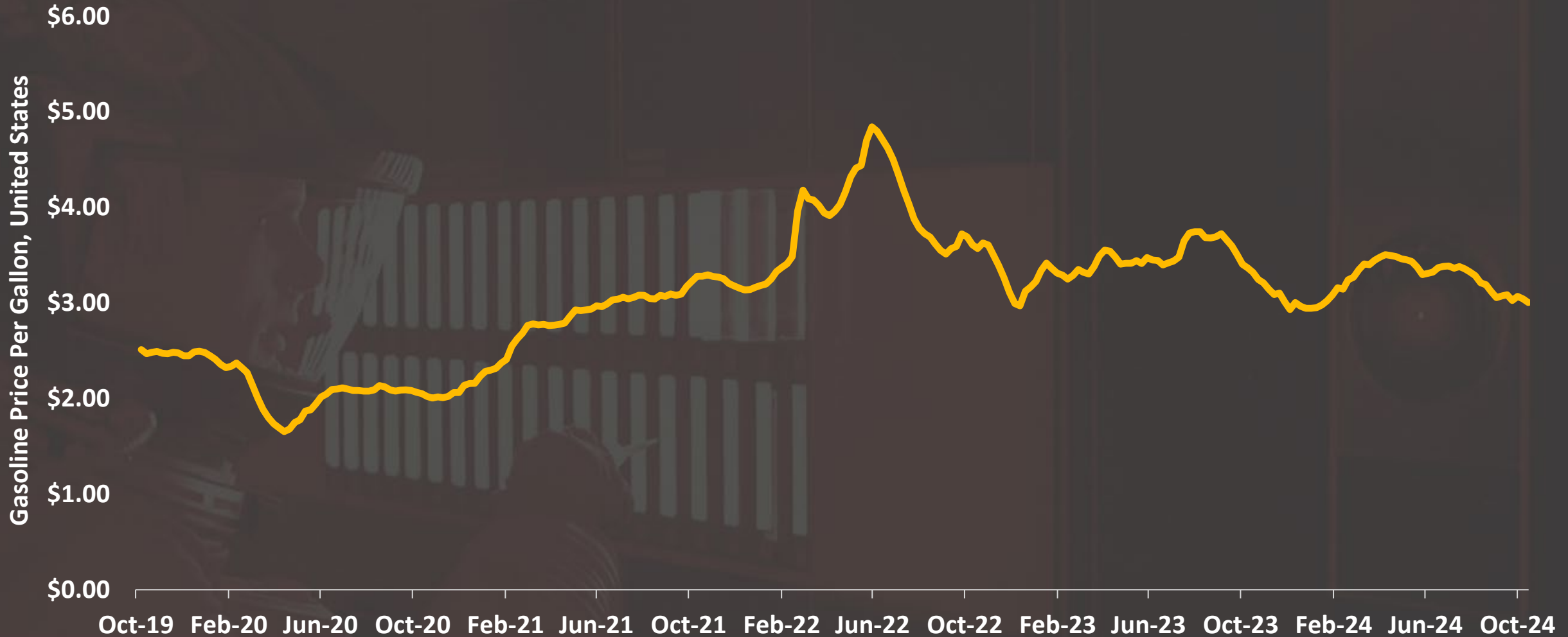




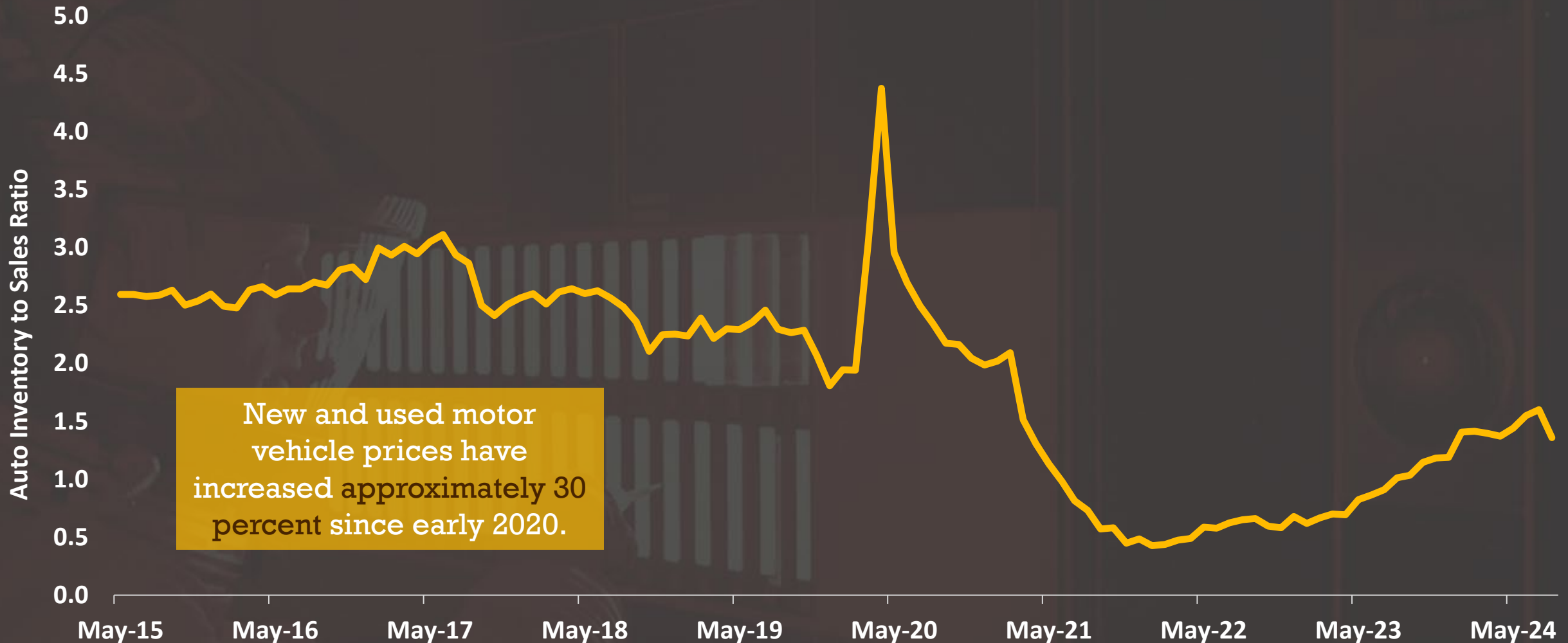
# The Price of Rent Rises Faster Than Overall Inflation in U.S. Cities



# Gasoline Prices Slowly Decline After a \$0.40 Increase in Early 2024

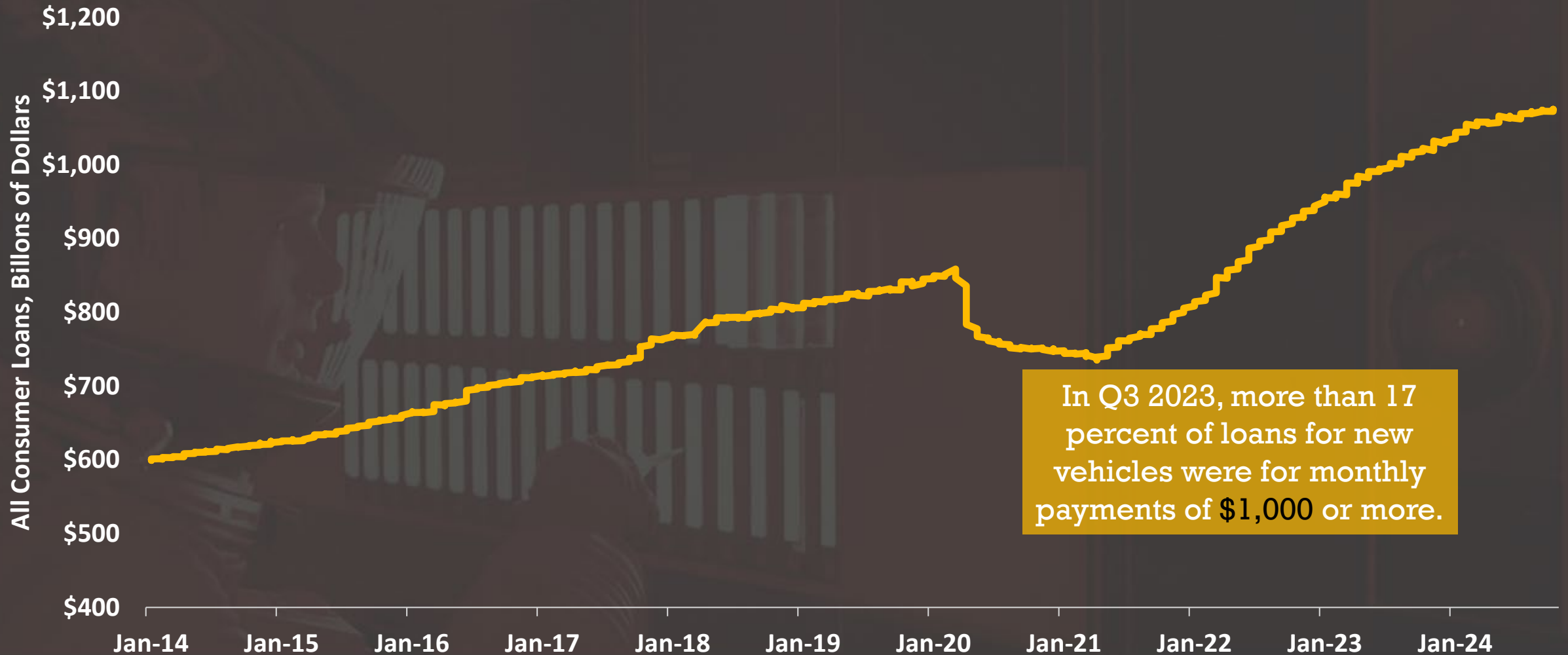


# Inventory for Cars Is Low but Improving



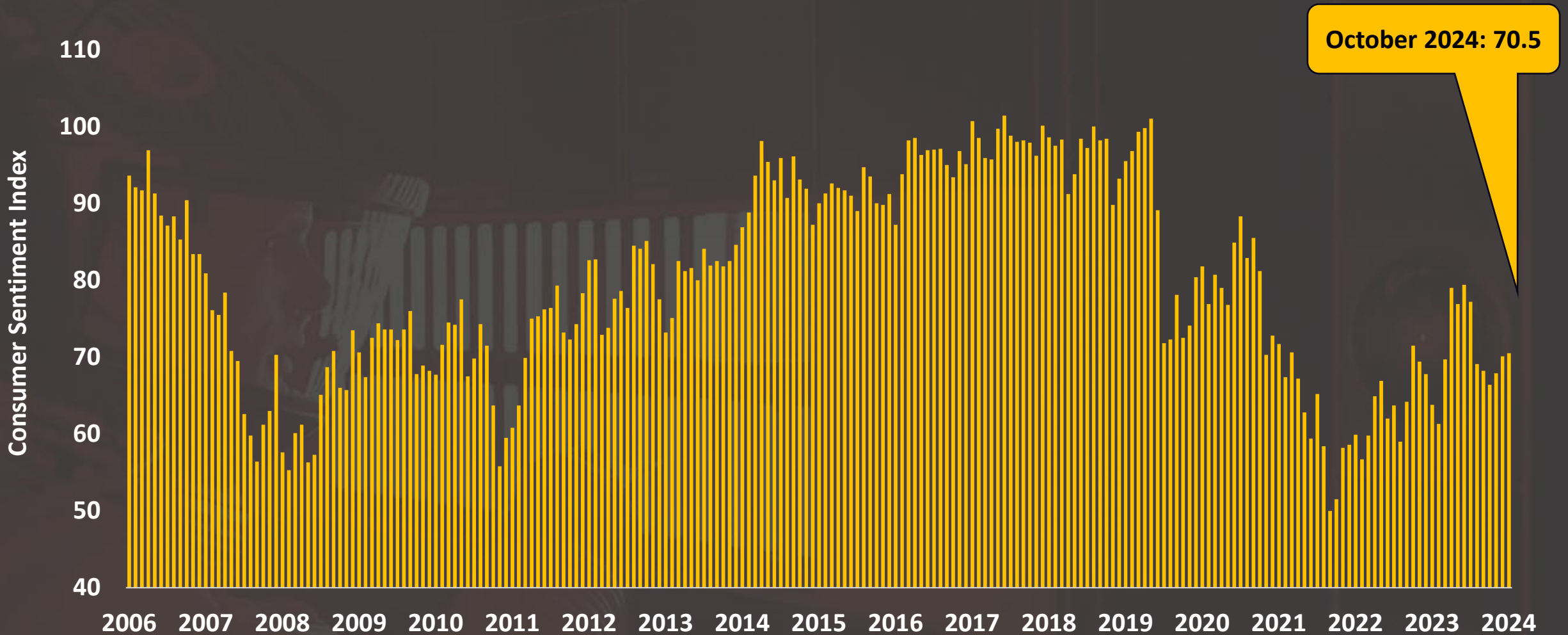
New and used motor vehicle prices have increased approximately 30 percent since early 2020.

# Consumer Debt Dropped in 2020 but Has Climbed Since

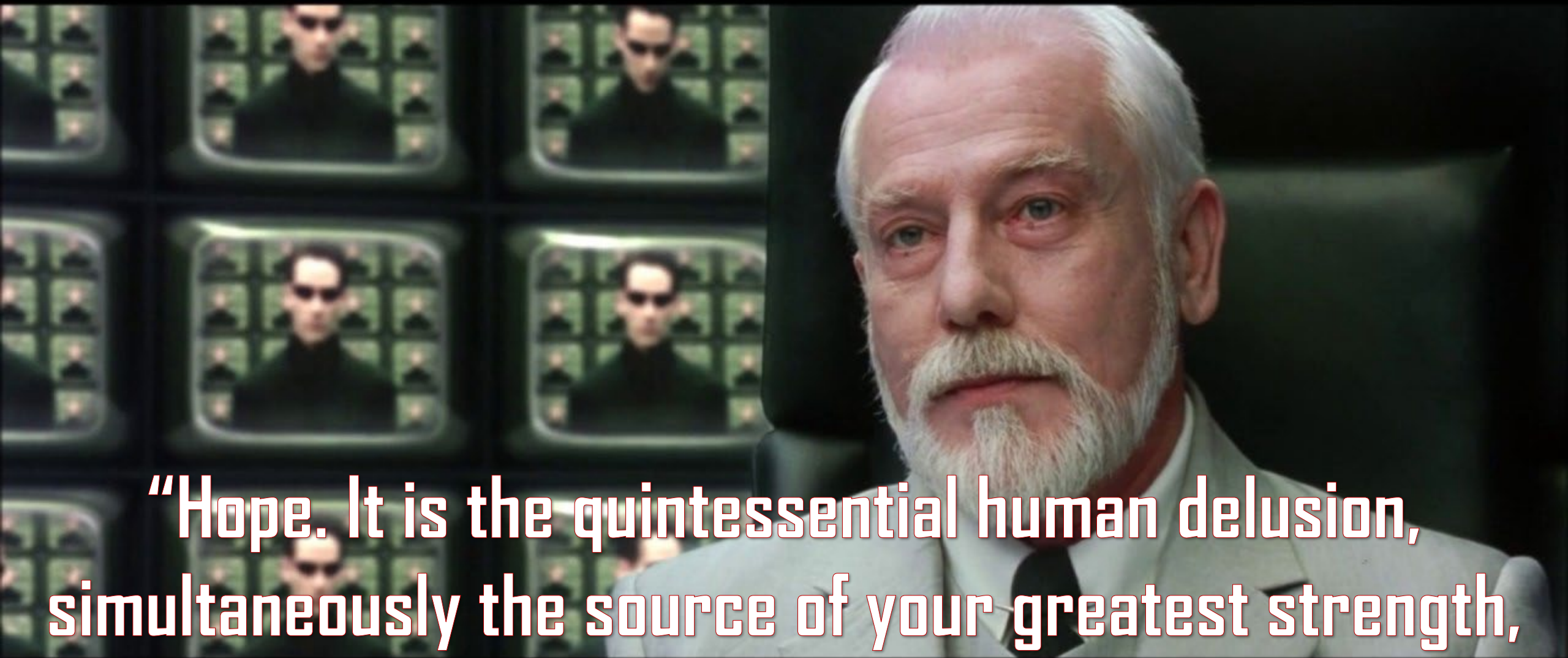


In Q3 2023, more than 17 percent of loans for new vehicles were for monthly payments of \$1,000 or more.

# Consumer Sentiment Has Struggled, Remains Near 2023 Levels

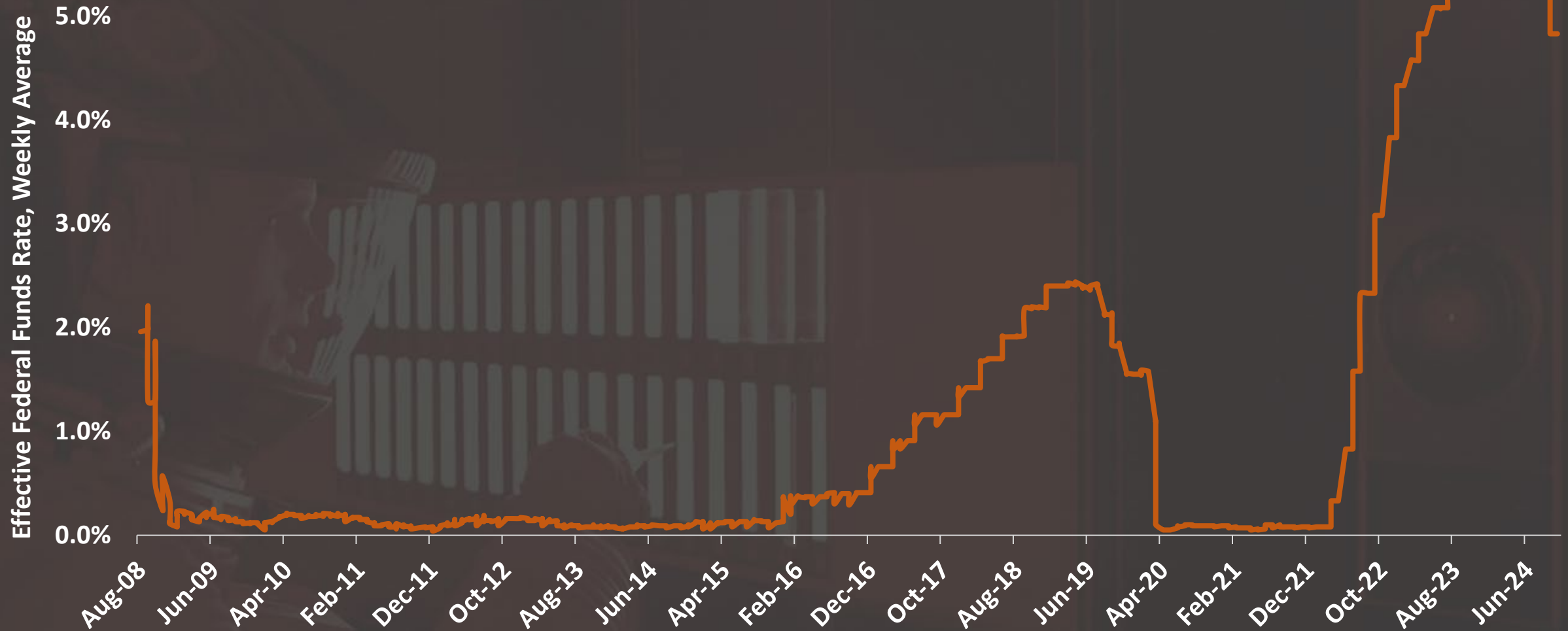


October 2024: 70.5

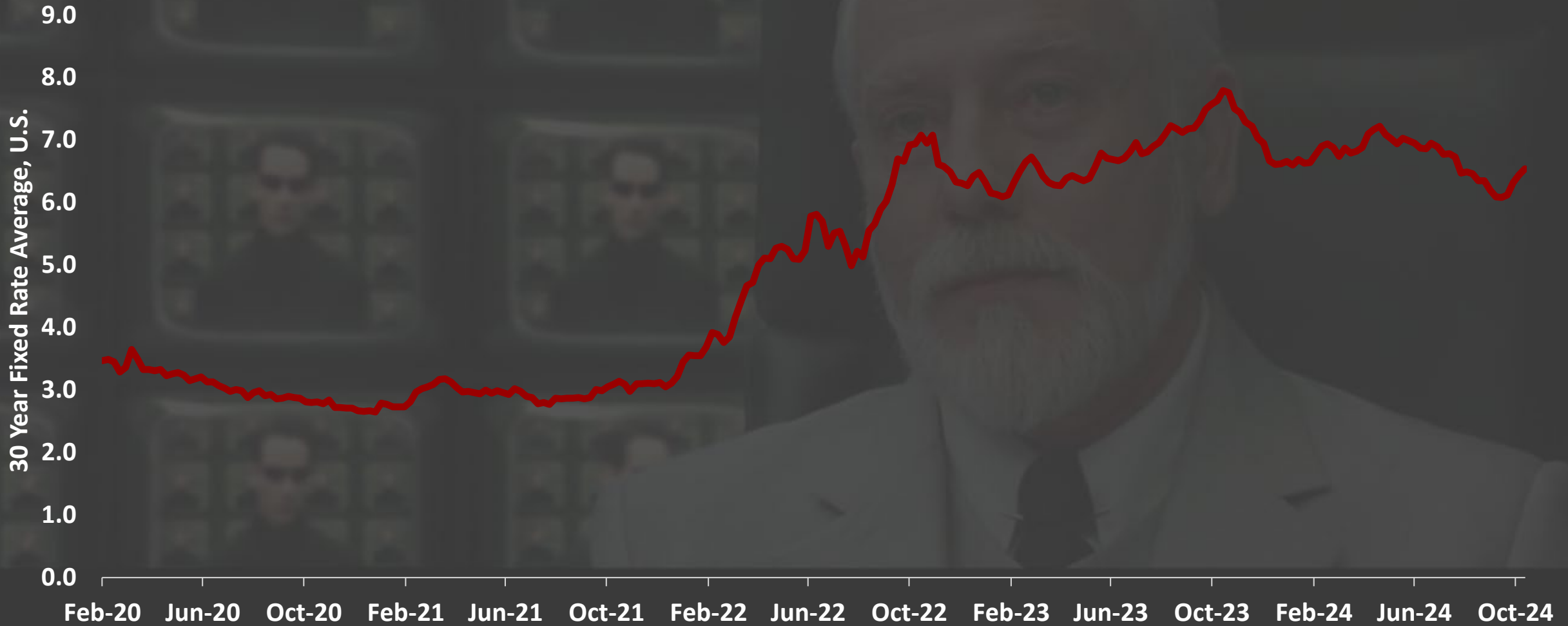


**“Hope. It is the quintessential human delusion,  
simultaneously the source of your greatest strength,  
and your greatest weakness.”**

# The Fed Lowered Interest Rates, and is Expected to Lower Rates Further

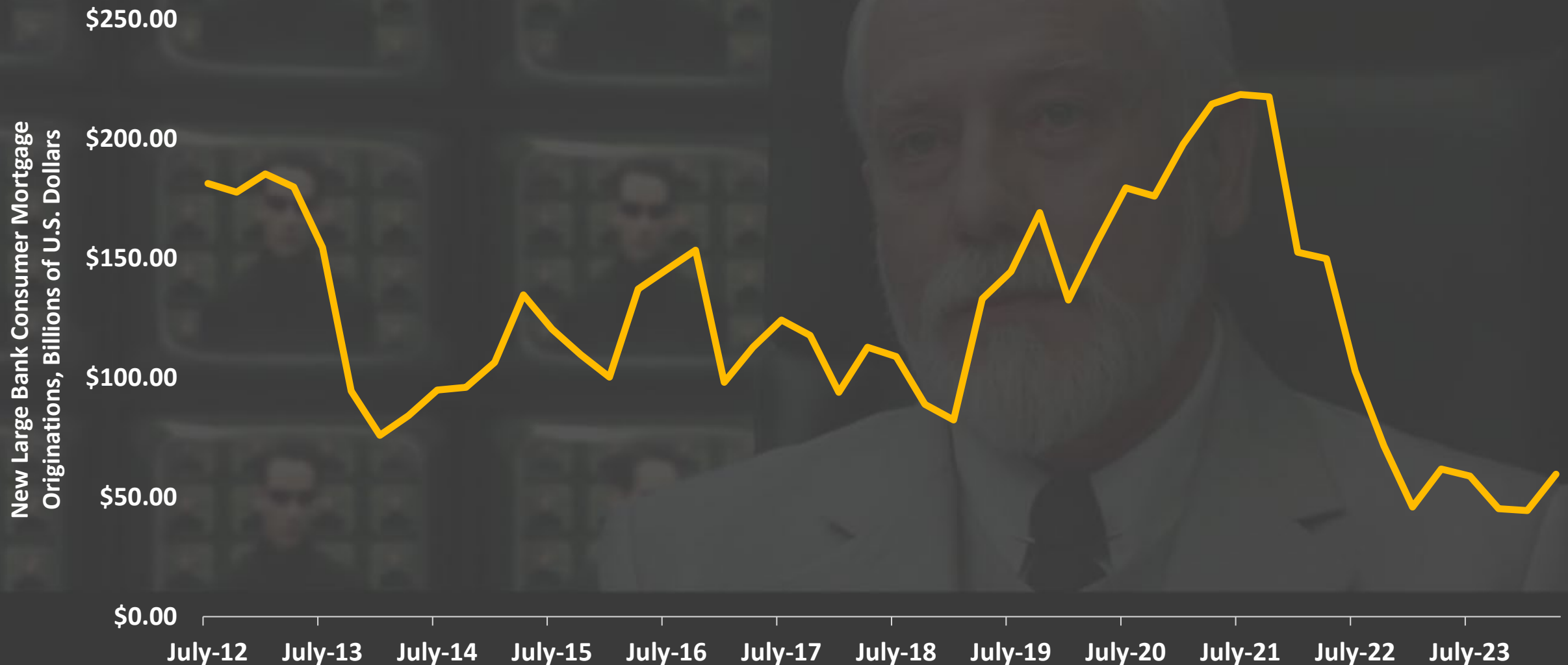


# Mortgage Rates Have Dropped A Full Point Since November 2023, but Remain High





# Mortgage Originations Have Dropped After Peaking in 2021

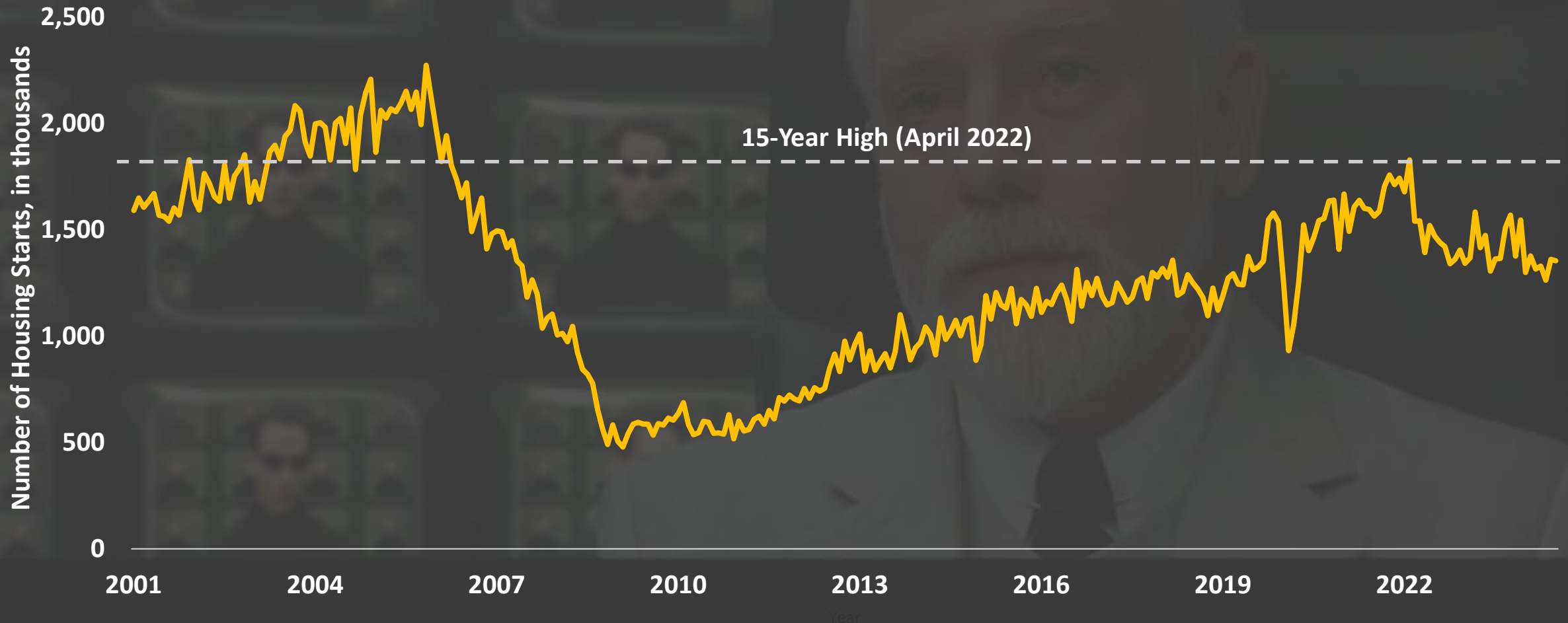


# The U.S. is Currently Short up to 6 Million Homes

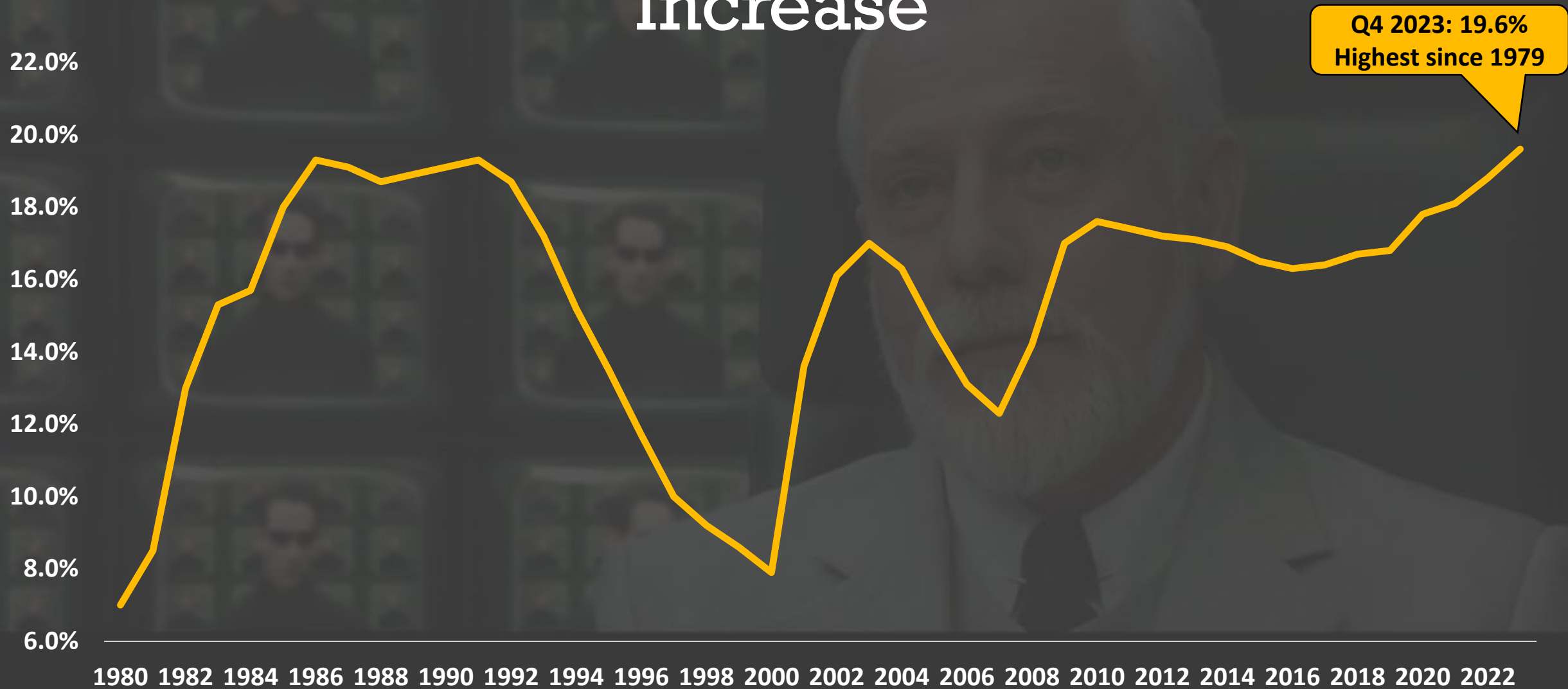
- According to various estimates, the United States is short anywhere between 2 and 6 million homes.
- This not only drives up home prices and rental rates – it can exacerbate inequality and contribute to climate change through increased use of cars.



# Housing Starts Have Declined After Hitting a 15-Year High in April 2022

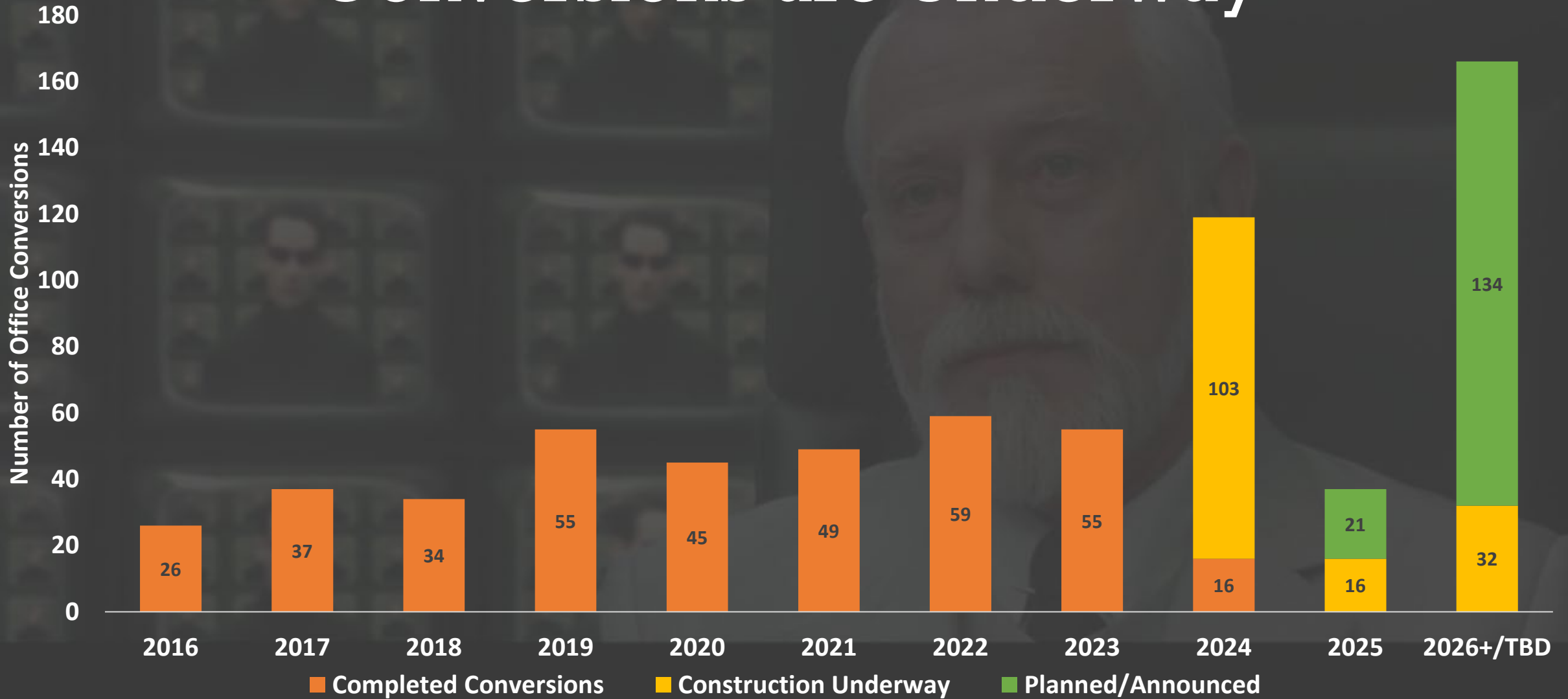


# Office Vacancy Rates Continue to Increase



**Q4 2023: 19.6%**  
**Highest since 1979**

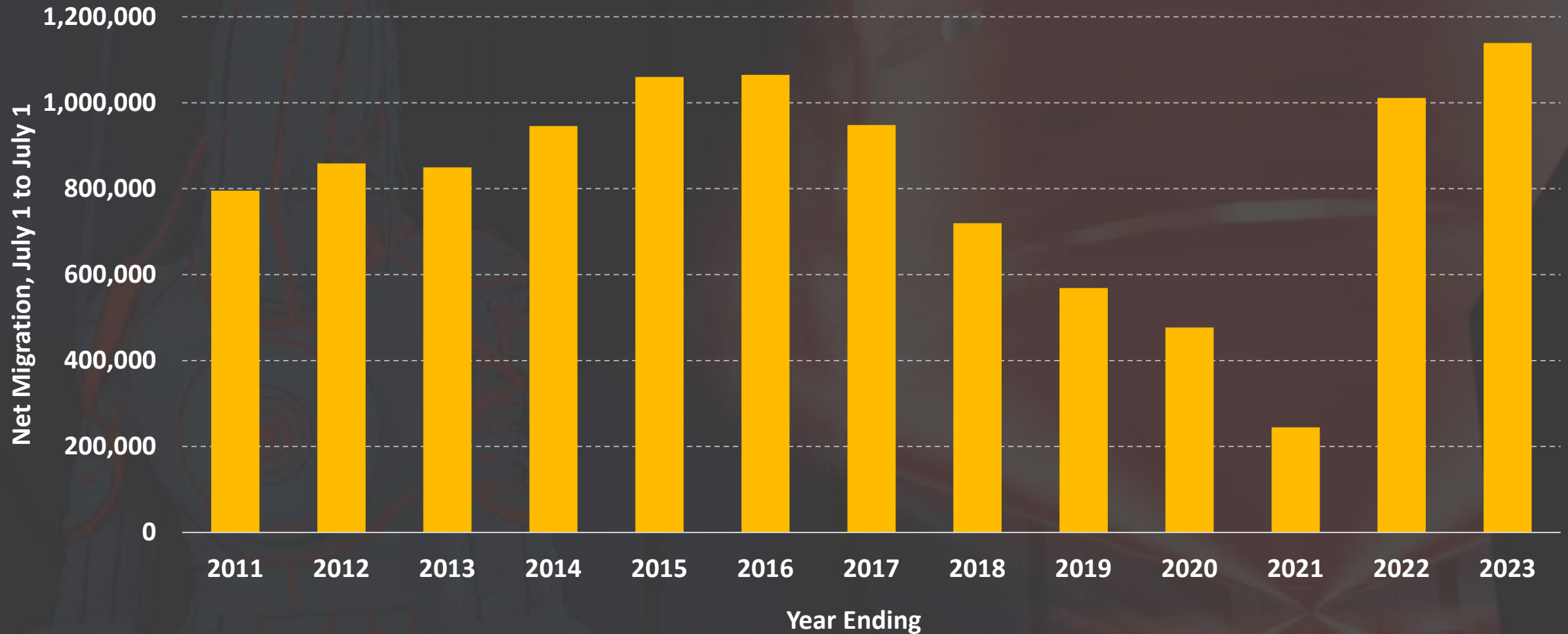
# Approximately 103 Office Building Conversions are Underway



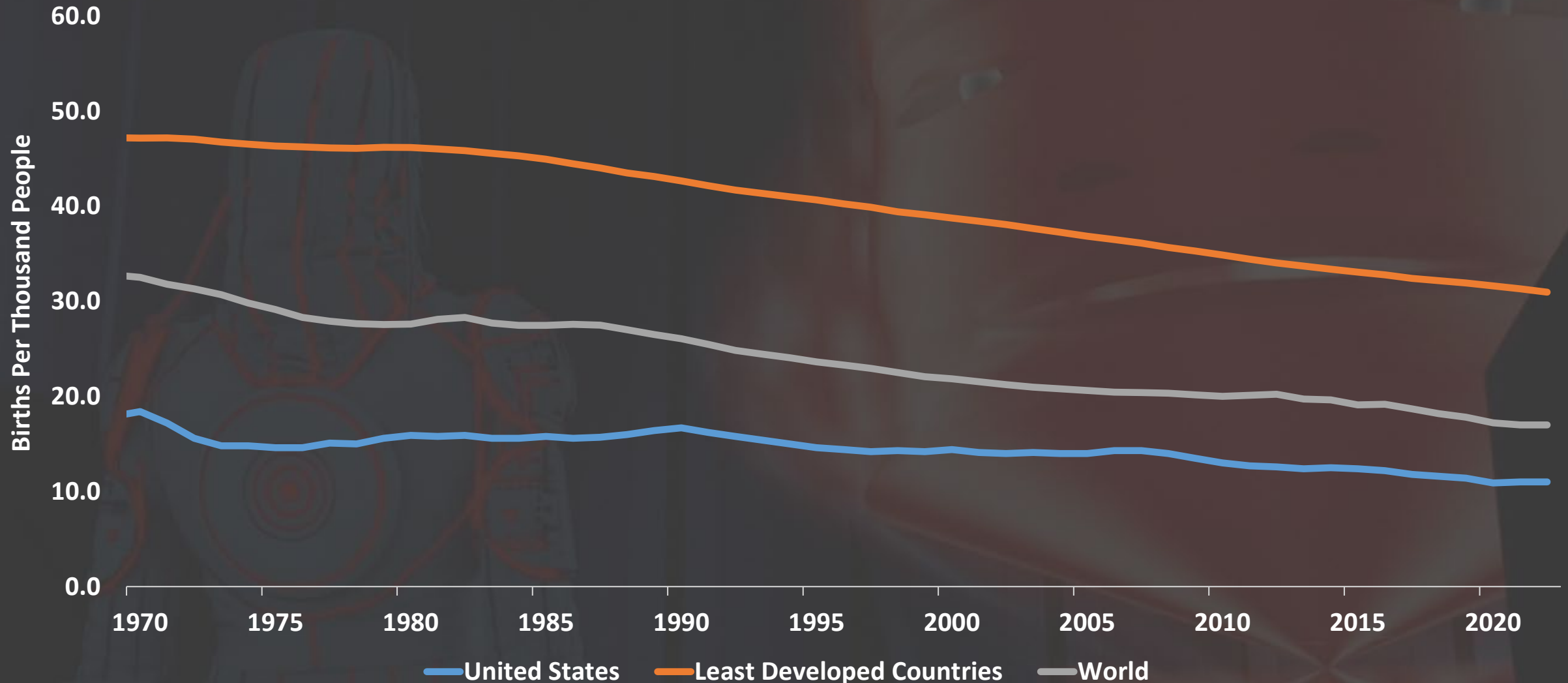


**“With the information I can access, I can run things 900 to 1,200 times better than any human.”**

# National Net Migration Dropped During the Pandemic but Has Bounced Back



# Birth Rates Are Dropping Across the World



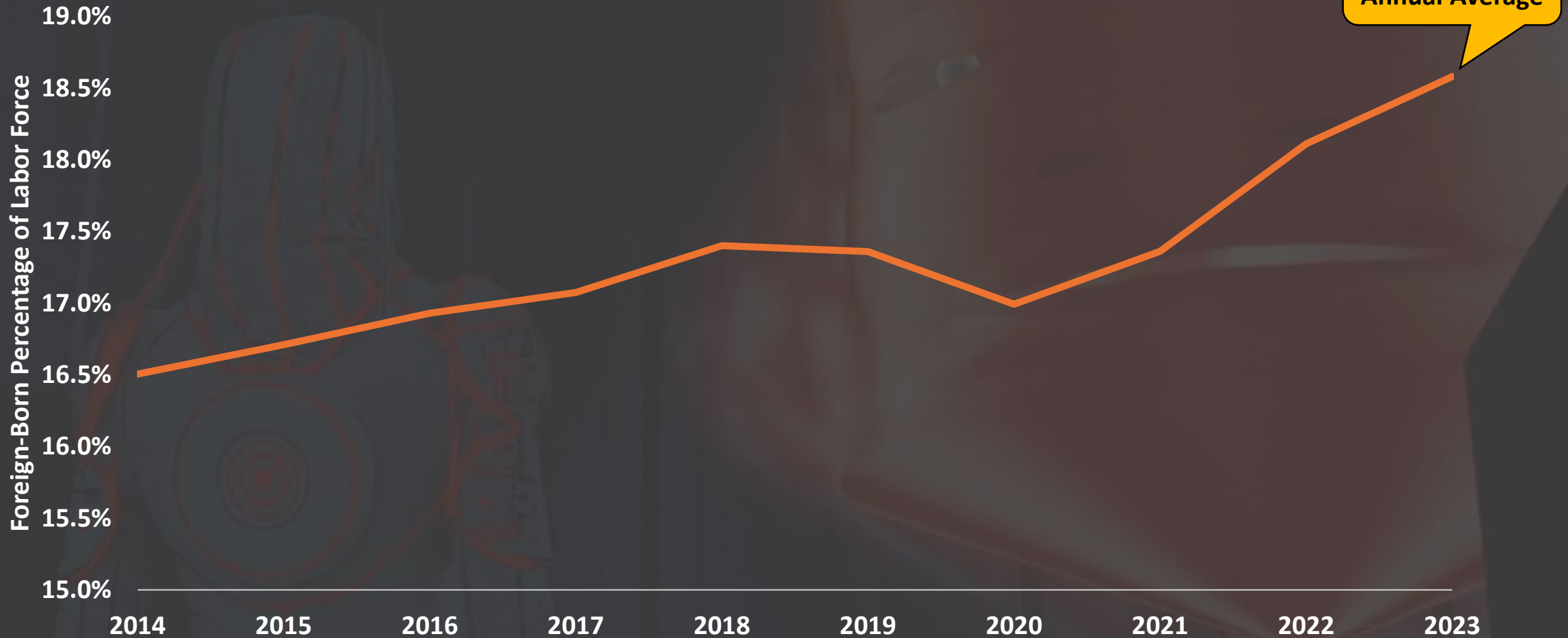


# Immigrant Share of Labor Force Reaches Record High

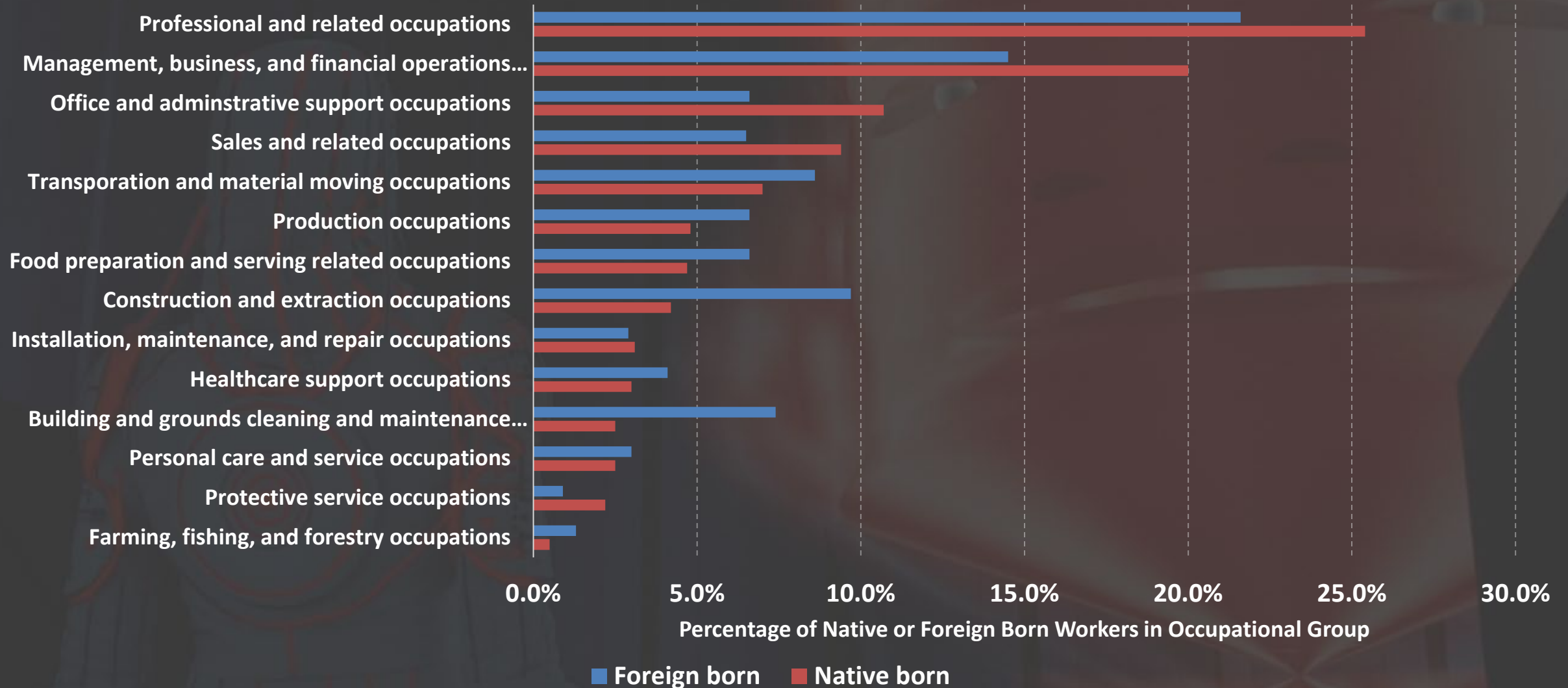
- According to various analysis of the Current Population Survey (CPS) data from the BLS, the immigration share of the labor force reached a record high of 18.6% in 2023.
- Immigrants are filling gaps caused by demographic changes and are playing key roles in the U.S. labor force within multiple industries.



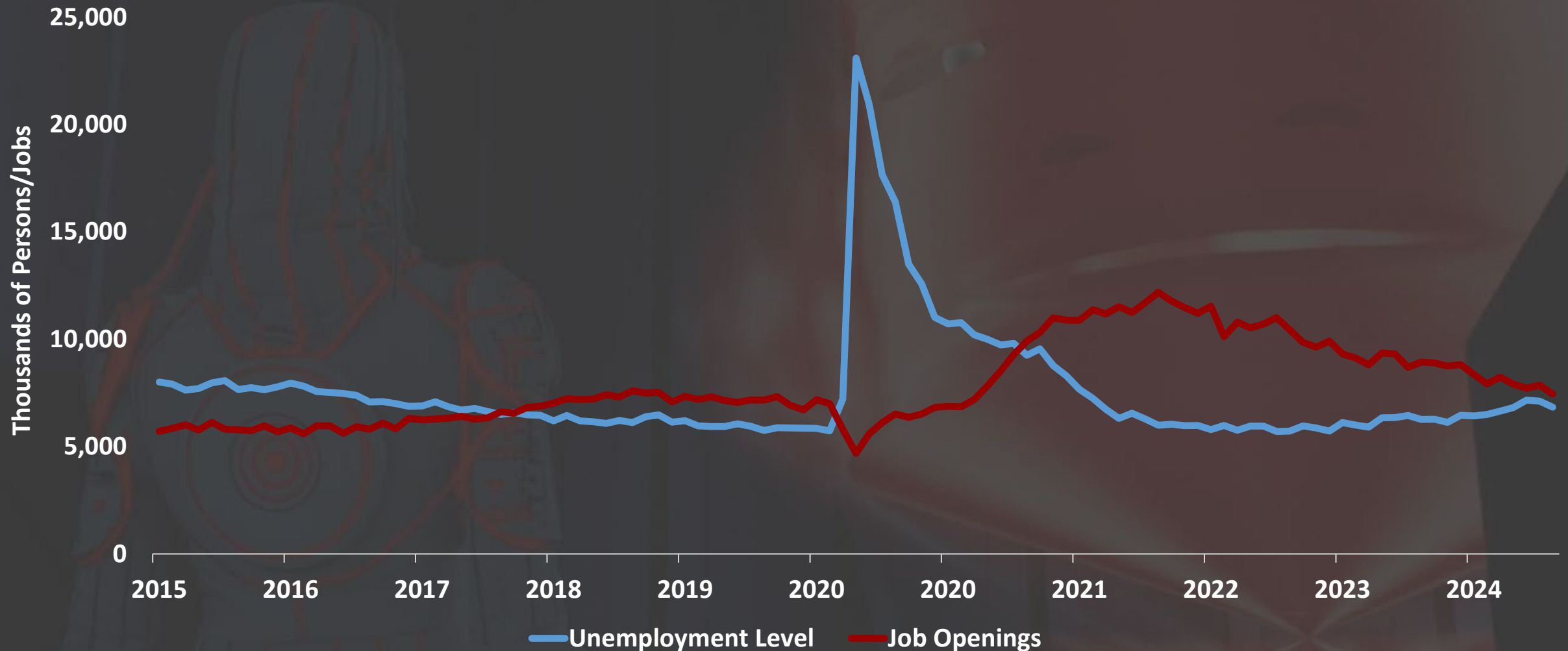
# Foreign-Born Percentage of Labor Force Reaches High Average



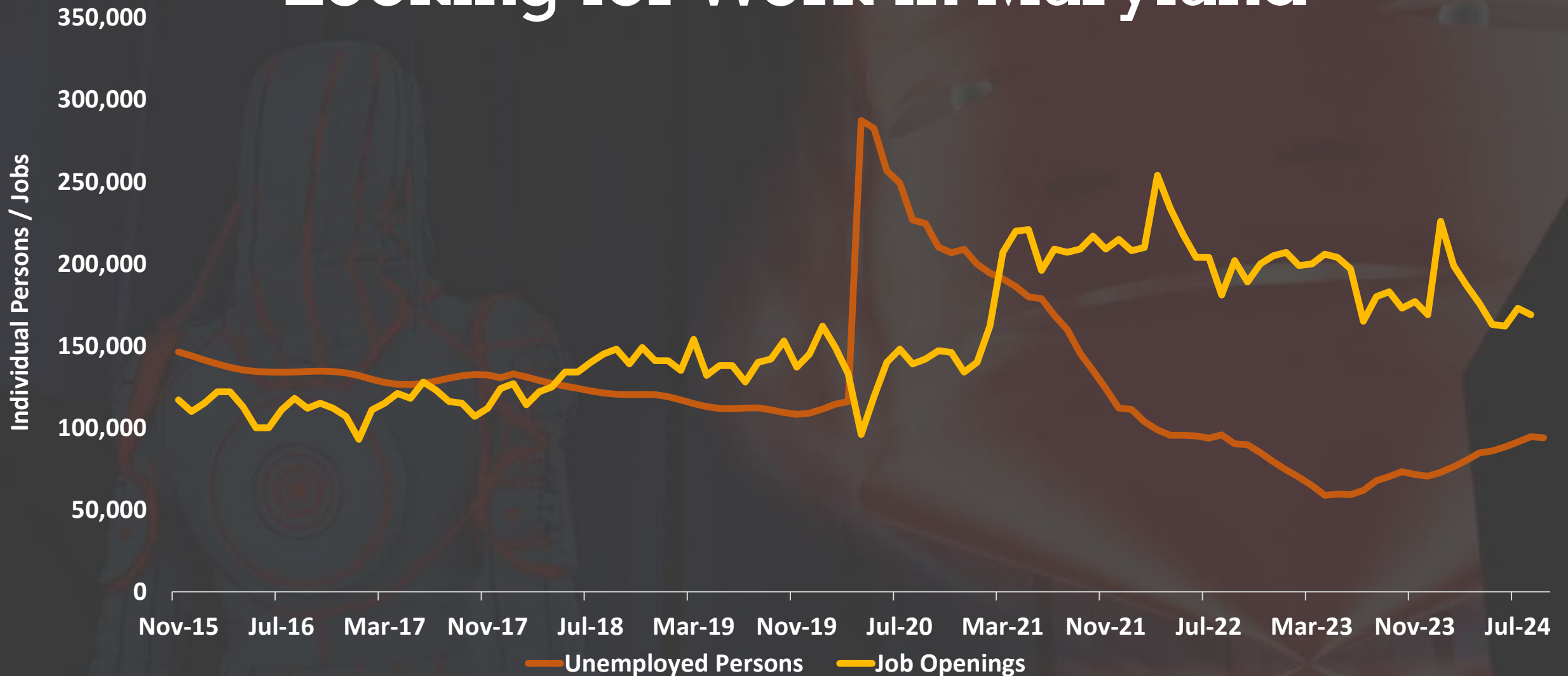
# Distribution of Native and Foreign-Born Workers Across Occupations



# The National Gap Between Job Openings and Unemployed Persons is Closing



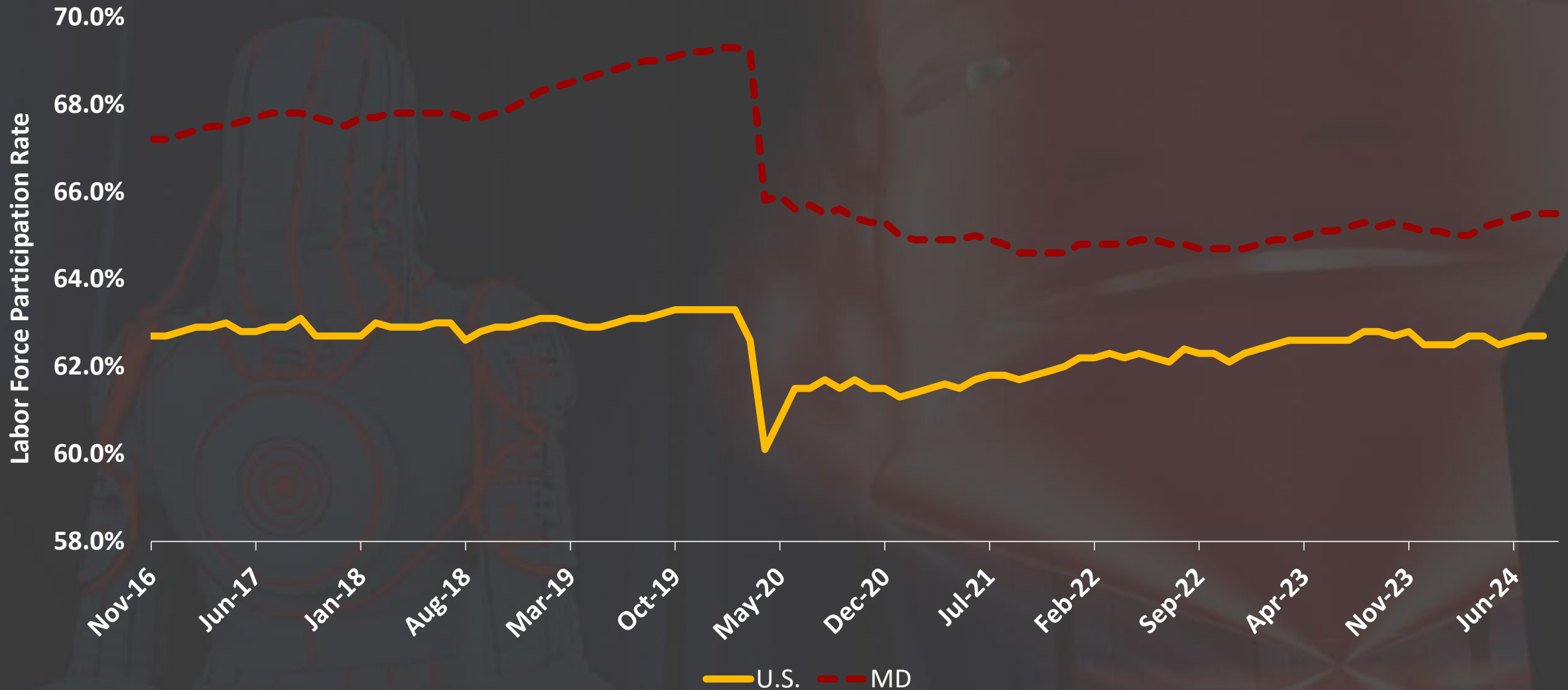
# Job Openings Still Outnumber Persons Looking for Work in Maryland



# Quit Rates Have Dropped From Previous Highs



# Labor Force Participation Overall is Lower Than Pre-Pandemic

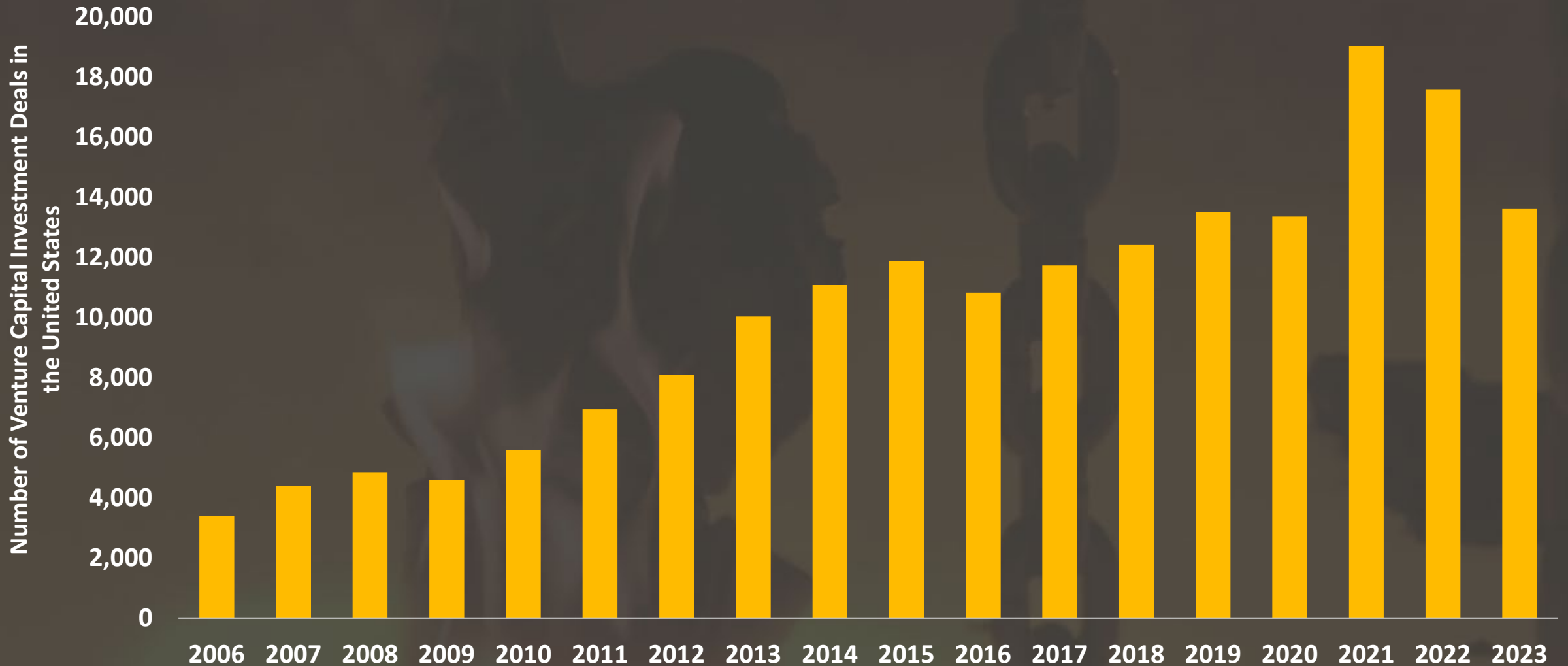


A dramatic scene with a figure in flames and a chain. The background is a warm, golden-brown color. On the left, a dark, winged figure is engulfed in bright, white and yellow flames. On the right, a thick, dark metal chain hangs vertically. The overall atmosphere is intense and symbolic.

**“The future has not been written. There is no fate  
but what we make for ourselves.”**



# Venture Capital Deals Declined in 2023



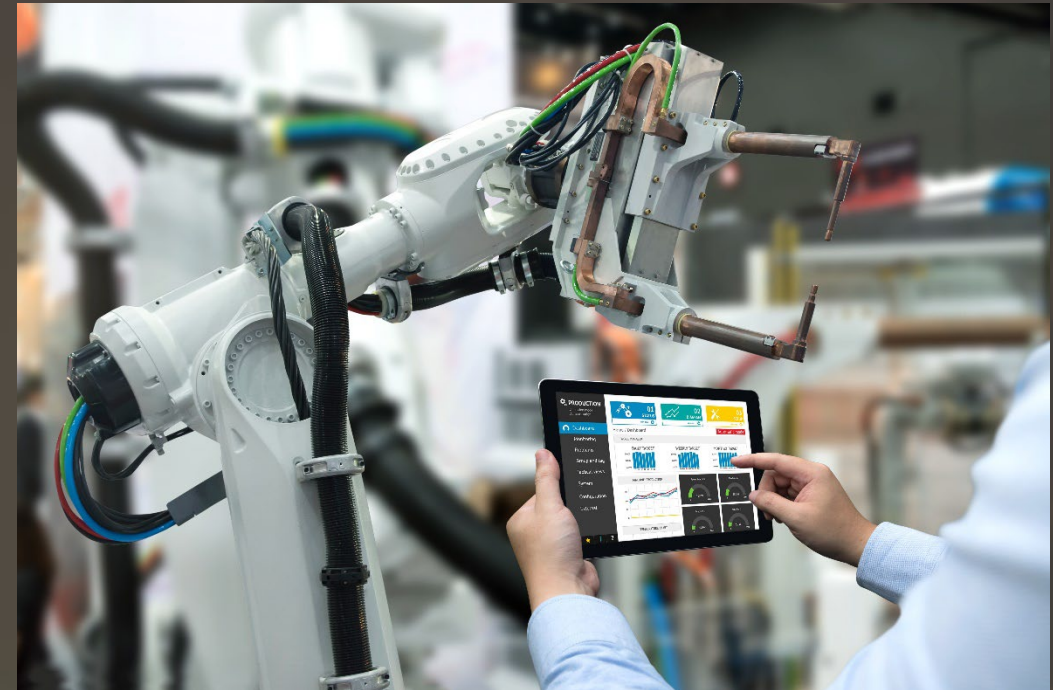
# The Potential Effects of A.I. on GDP

- A report from McKinsey Global Institute estimates that generative A.I. could add \$4.4 trillion to the global economy annually.
- Up to 60 to 70 percent of workers' time could be saved through automation, improving productivity



# A.I. and Automation Will Displace Jobs but New Jobs Will Take Their Place

- The World Economic Forum's "Future of Jobs Report 2023" estimated that 83 million jobs are projected to be lost over the next 5 years.
- Over the same period, 69 million jobs are expected to be created.

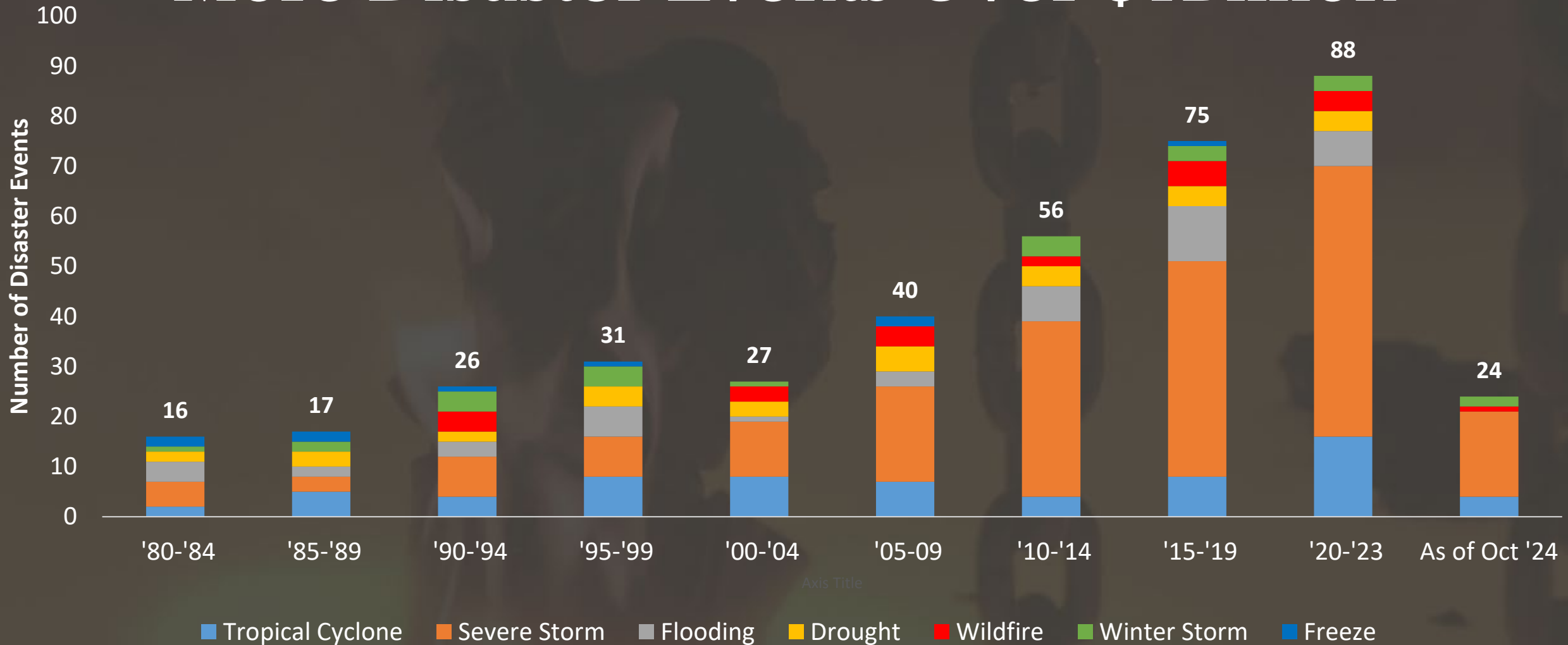


# Over \$2.7 Billion in FEMA Assistance has Been Approved for Communities Impacted by Hurricane Helene and Milton

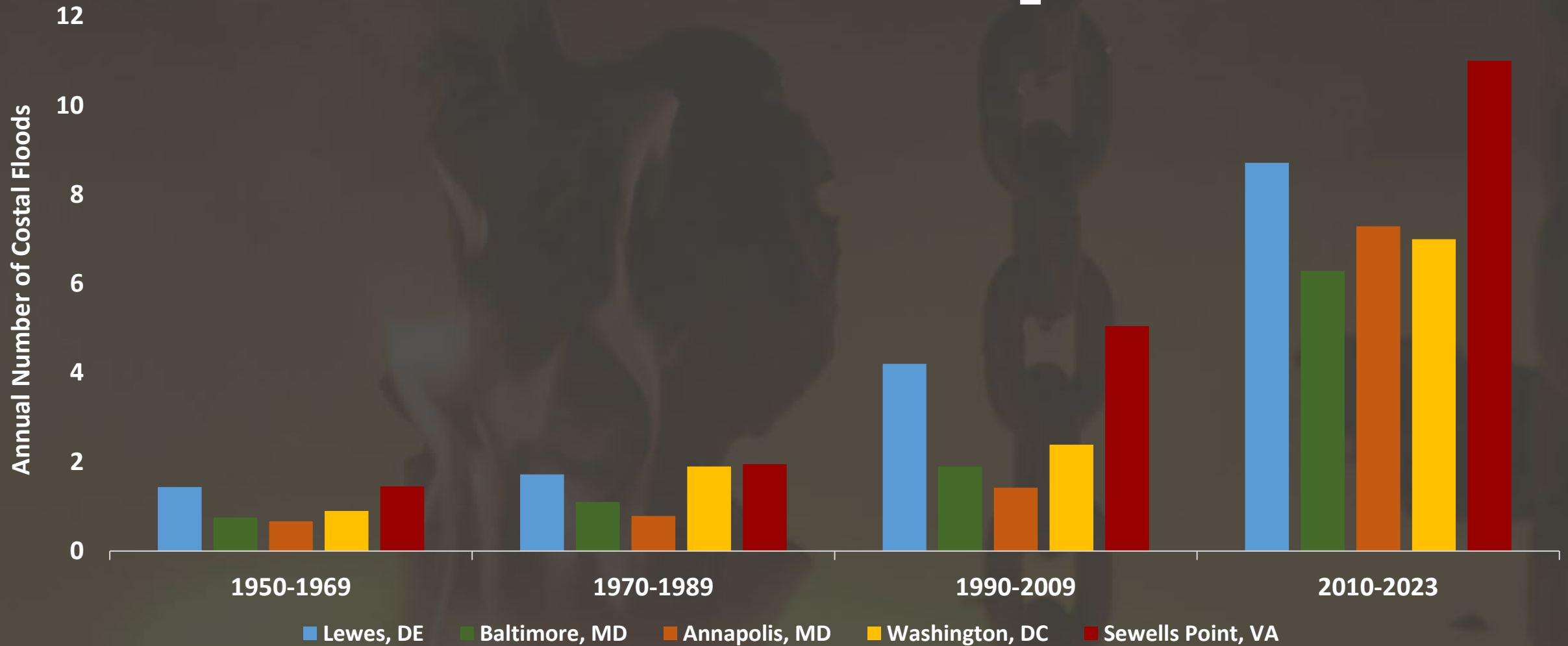
- September 2024 was recorded as the second warmest September on record in the U.S. and the globe. This climate change resulted in flash flooding across the Southeast of the U.S. and roughly 250 deaths.
- Following the aftermath of Category 4 Hurricane Helene, and Category 3 Hurricane Milton, thousands of families have experienced significant housing and income loss. Many have utilized transitional shelters and will access Disaster Unemployment Assistance. Severe economic impacts are expected as reports indicate many individuals are facing inadequate or denied insurance claims.
- Federal Assistance approved for both hurricanes includes:
  - \$1.5 billion for housing repairs, personal property replacement, and essential recovery efforts for survivors.
  - Over \$1.2 billion for debris removal and emergency protective measures.



# Increases In Severe Storms Are Causing More Disaster Events Over \$1 Billion



# Coastal Flooding in our Region Has Become More Frequent



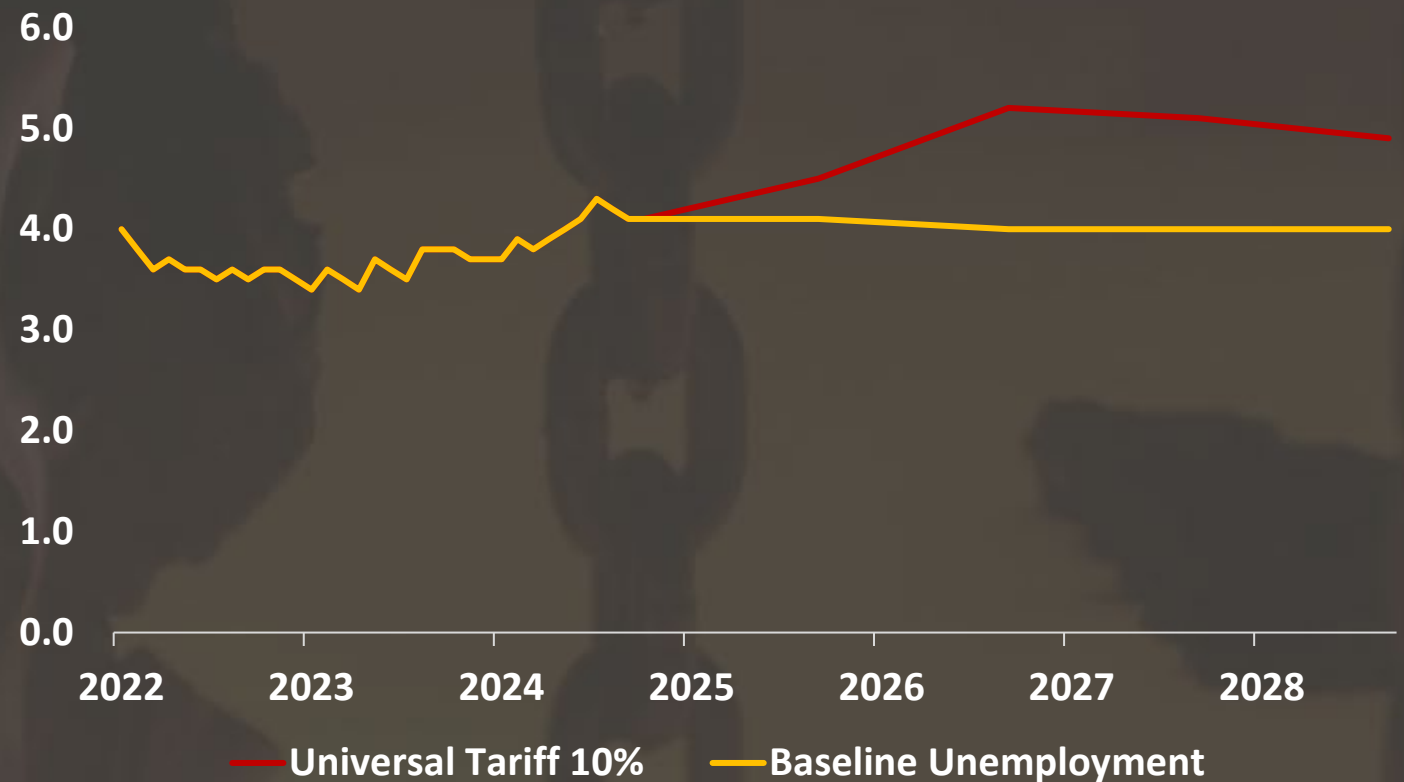
# The 2024 Presidential Election

What Post-Election Could Mean for the Economy

**Reciprocal tariff proposals, massive deportation and immigration policies, and corporate tax**

# Import Heavy Industries Will Likely Be Impacted by Trump's Tariff Proposals

- The unemployment rate could peak at 5.3% by Q3 of 2026 due to the weakened economy imposed by Trump's Universal Baseline Tariff Scenario of 10% on all imports.
- The economic contractions following the proposed tariffs can lead employers to lay off workers and decelerate hiring.
- Import sensitive industries such as the Construction, and Manufacturing industry's will be amongst those greatly impacted by Trump's Tariff Proposals.

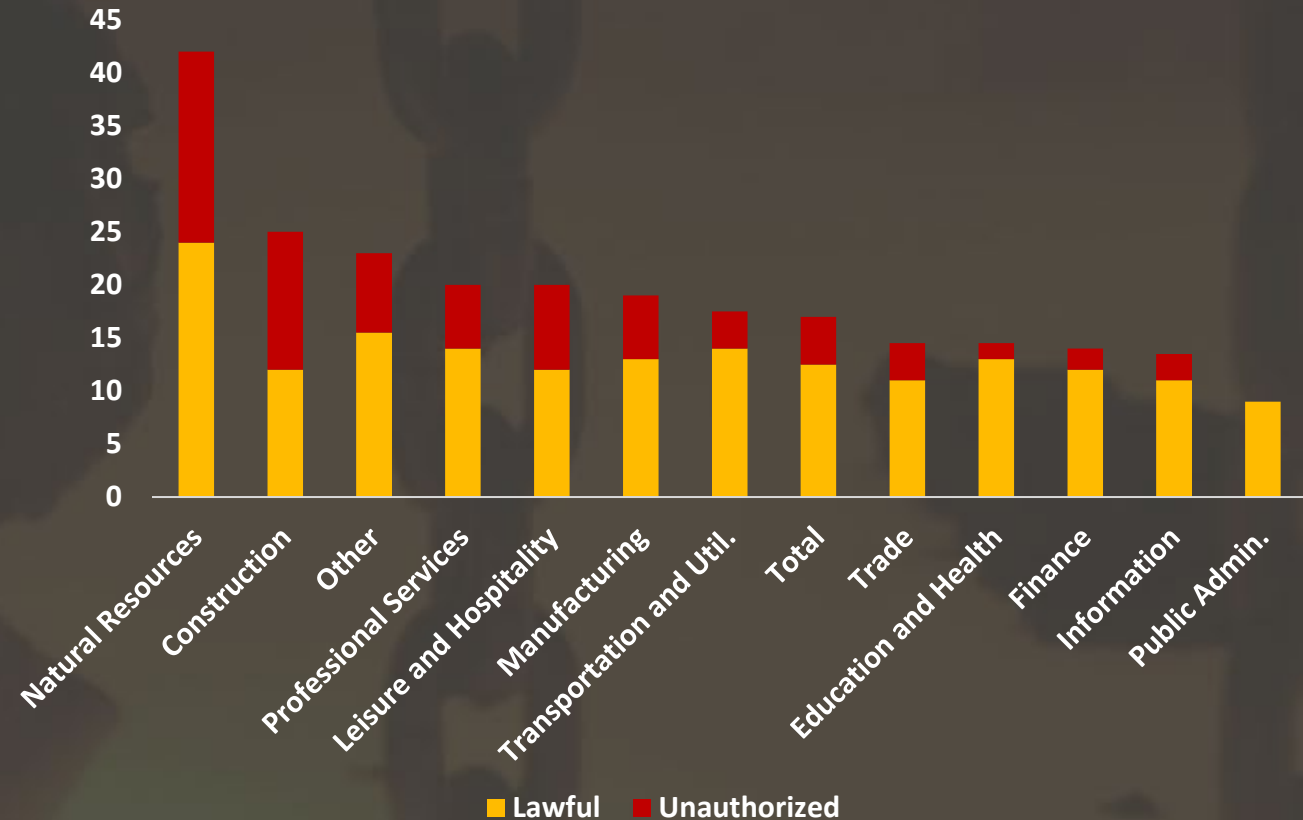




# Trump's Proposed Restrictive Immigration Policies and Mass Deportation Will Tighten an Already Tightfisted Job Market

- Immigrant-heavy Industries such as agriculture, construction, retail, and leisure and hospitality will see significant tightening under Trump's immigrant enforcement measures.
- These policies will stimulate wage, and price pressures within the hardest impacted industries. Immigrants have shown to be crucial within U.S. goods production and world food supply.
- Labor costs and inflation have been a focal point for the Federal Reserve, which may either resume interest rate hikes or delay rate cuts in response to these constraints. The threat of a recession will reemerge as economic growth slows.

Composition of U.S. labor force, % industry share of employment by immigration status



# What the Future Holds

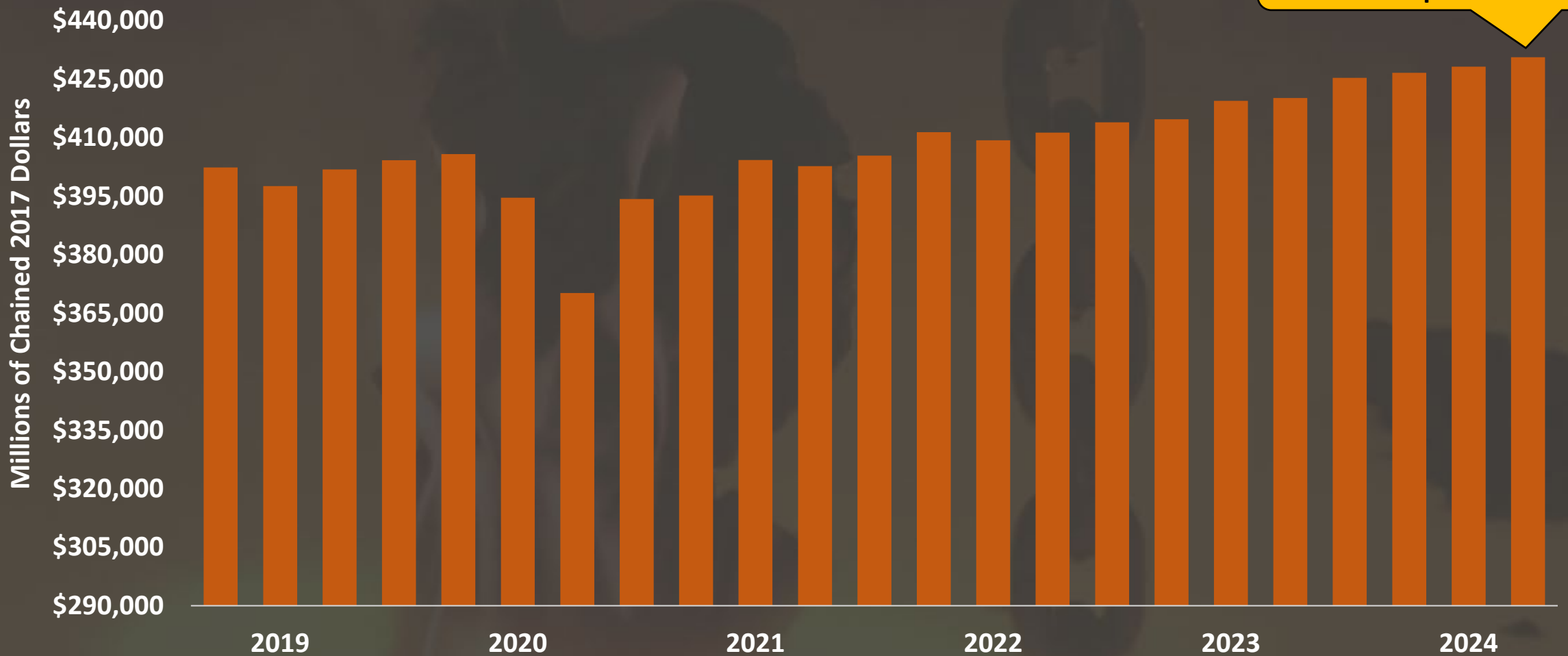
## Headwinds

- Continuing War in Ukraine
- Terrorist Attack/Expanding regional conflict Mideast
- Divided Congress
- Climate Change impacts- more frequent, more severe
- Post-Election Economy

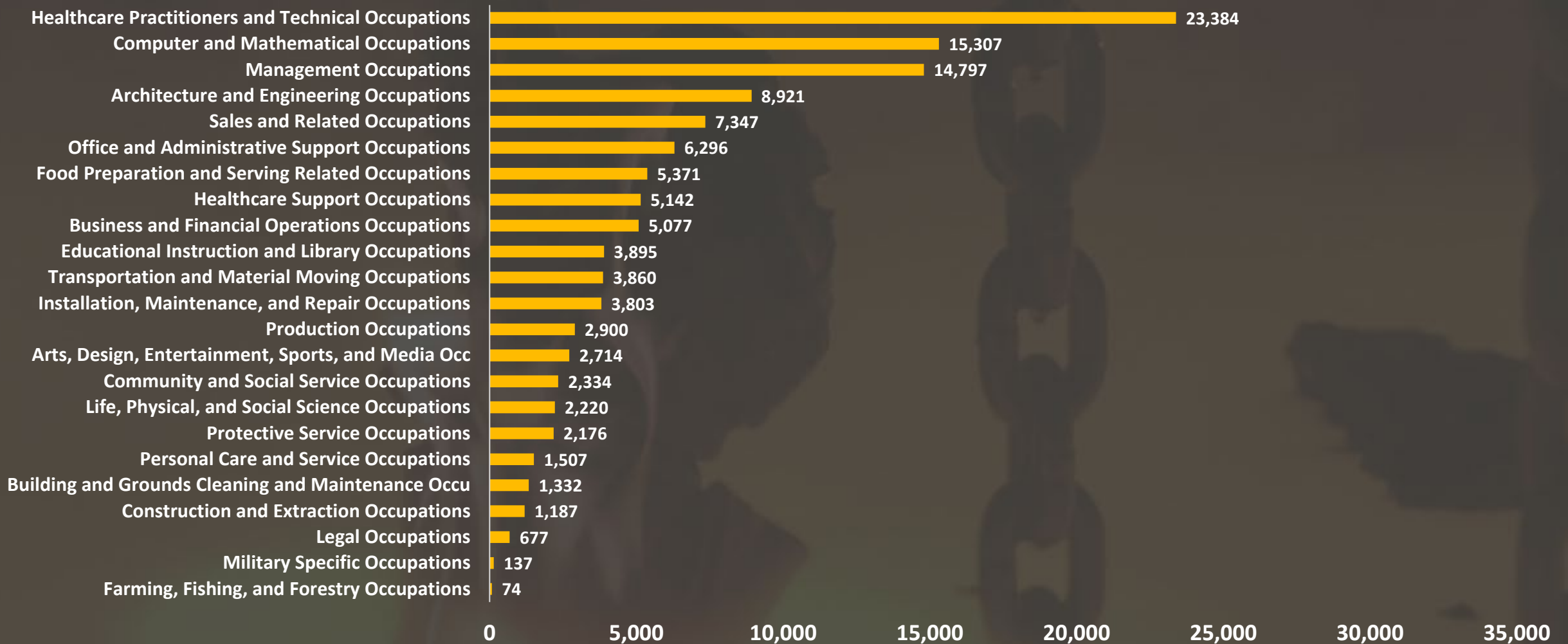
## Tailwinds

- Strong Labor Markets
- Strong GDP Growth
- Softening Home Prices
- Slowing Inflation
- Interest Rates Falling

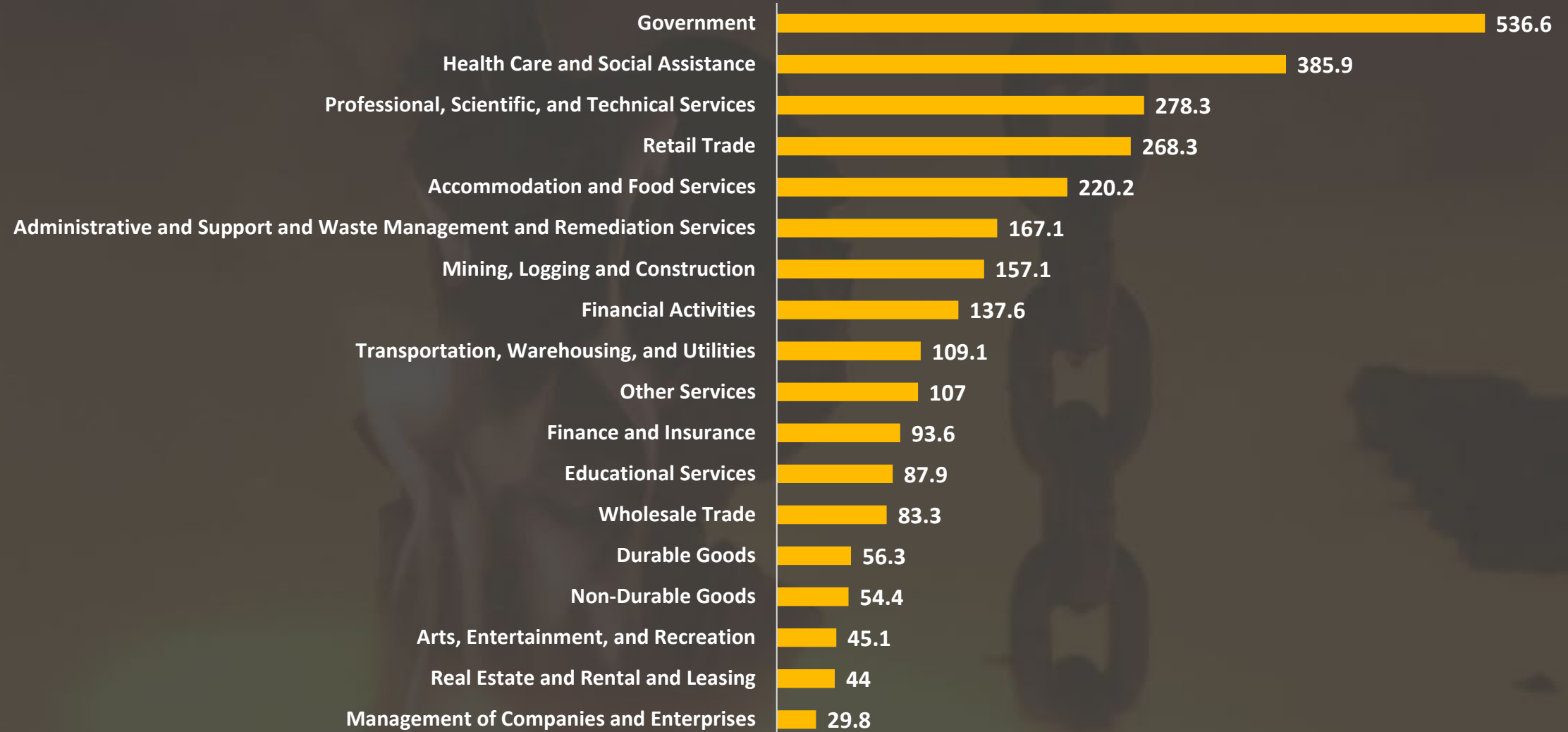
# Maryland GDP Grew Consistently Throughout 2023



# Healthcare, Computer, and Management Occupations Dominate Openings in Maryland

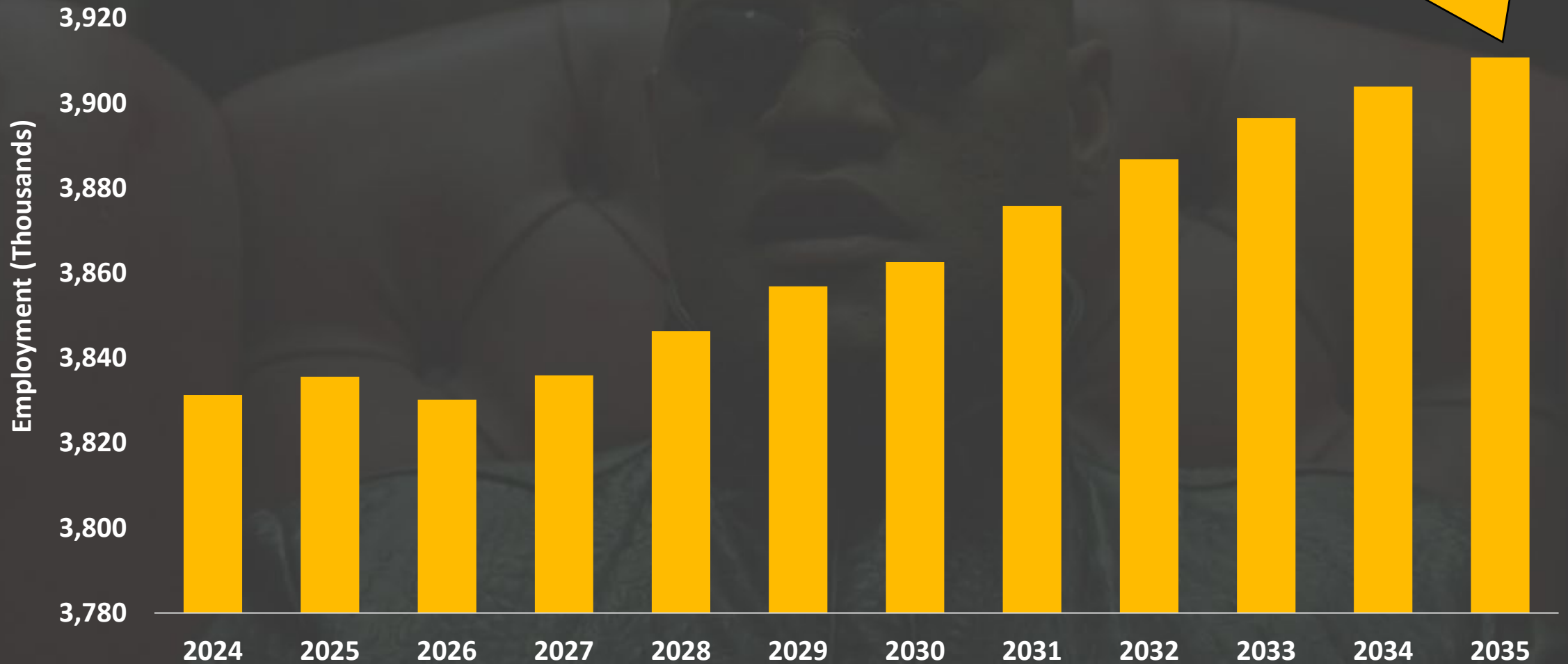


# Government and Healthcare Jobs Have the Largest Current Maryland Employment



# Forecasted Employment

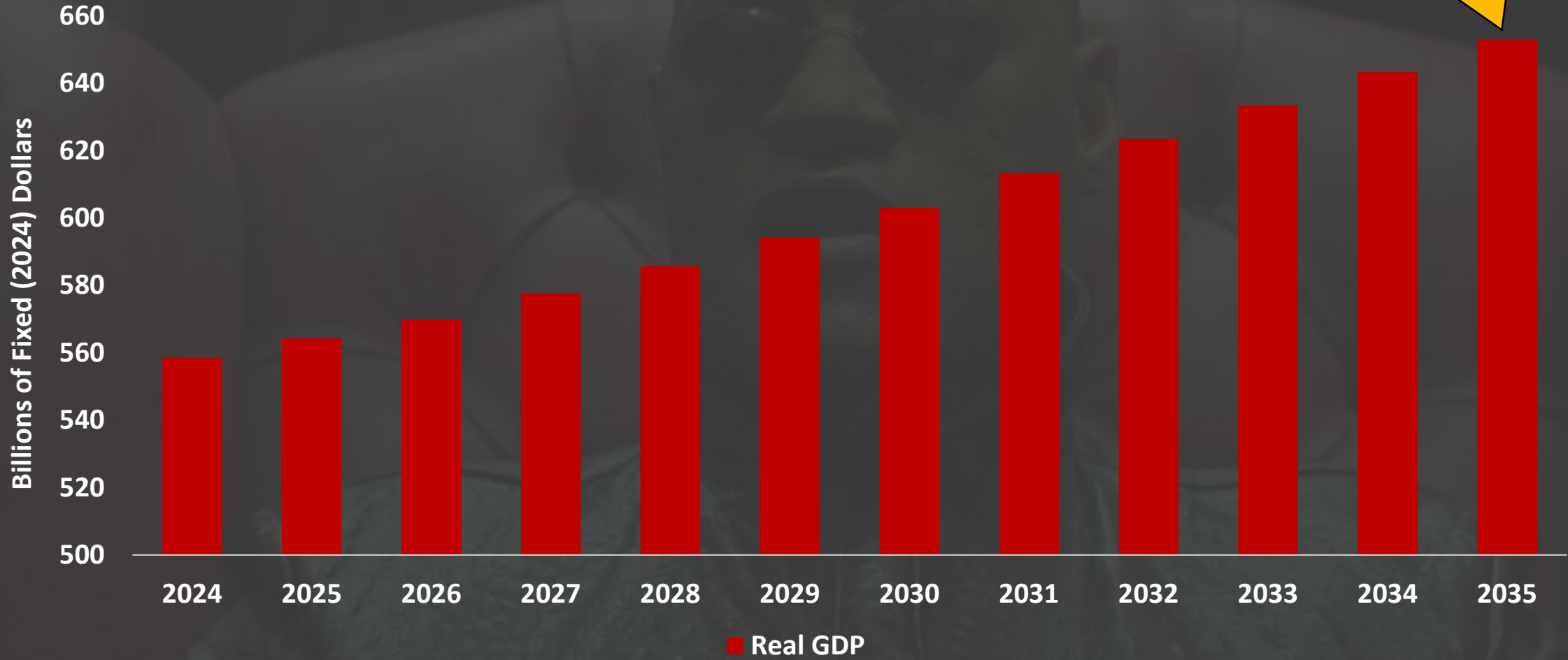
Maryland, 2024-2035



# Forecasted GDP

Maryland, 2024-2035

17% growth in real GDP projected through 2035



# Maryland's Economy

- **Uncertainty around Federal budget and policies**
  - Francis Scott Key Bridge (funding)
- **MD Structural Deficit**
- **Population decline**
- **Affordability**
- **Labor shortages continue to plague hospitality and eating establishments in addition to IT, health and transportation**



# Q&A

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